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HEARINGS

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-SEVENTH CONGRESS

FIRST SESSION

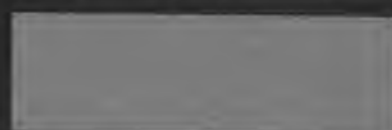
1901-1902

TARIFF ACT OF 1921

(O. D. 1901)

AMERICAN VARIATION

WILLIAM H. HARRIS



AMERICAN VARIATION



HEARINGS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

SIXTY-SEVENTH CONGRESS
FIRST SESSION

ON THE PROPOSED

TARIFF ACT OF 1921
(H. R. 7456)

AMERICAN VALUATION

Revised and Indexed



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NOTE.

Believing the greatest demand for the Tariff Hearings before the Senate Finance Committee on H. R. 7456 will be only for those schedules containing the particular items in which each individual is interested, the preliminary prints have been revised and indexed and printed by schedules.

The hearings are paged consecutively and comprise the following separate documents:

American Valuation.

Dyes Embargo.

Schedule 1.—Chemicals, Oils, and Paints.

Schedule 2.—Earths, Earthenware, and Glassware.

Schedule 3.—Metals and Manufactures of.

Schedule 4.—Wood and Manufactures of.

Schedule 5.—Sugar, Molasses, and Manufactures of.

Schedule 6.—Tobacco and Manufactures of.

Schedule 7.—Agricultural Products and Provisions

Schedule 8.—Spirits, Wines, and Other Beverages

Schedule 9.—Cotton Manufactures.

Schedule 10.—Flax, Hemp, and Jute, and Manufactures of.

Schedule 11.—Wool and Manufactures of.

Schedule 12.—Silk and Silk Goods.

Schedule 13.—Papers and Books.

Schedule 14.—Sundries.

Schedule 15.—Free List.

Special and Administrative Provisions, and Appendix containing briefs received too late for printing in the volume containing the hearings upon the various schedules.

[LEIGHTON C. TAYLOR, *Clerk.*

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AMERICAN VALUATION.

Monday, July 25, 1921.

UNITED STATES SENATE, COMMITTEE ON FINANCE.

The committee met, pursuant to call of the chairman, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, McLean, Simmons, Gerry, Reed, and Walsh.

Present also: Hon. Thomas Walker Page, chairman United States Tariff Commission, and John E. Walker, Esq., chief of the legislative drafting service of the Senate.

The CHAIRMAN. The committee will come to order. The committee is now about to proceed to take up the consideration of the permanent tariff bill, which came to the Senate on Friday of last week, and the chairman, after consultation with the members of the committee, immediately issued a call for this morning.

After informal consultation with such members of the committee as were available, the Chair adopted the schedule of tariff hearings, which I will ask to have inserted in the minutes for the information of witnesses and the public.

(The schedule referred to is as follows:)

UNITED STATES SENATE, COMMITTEE ON FINANCE, *July 22, 1921.*

The Committee on Finance will hold public hearings relative to the tariff at Washington, D. C., beginning Monday, July 25, 1921.

It is the purpose of the committee to hear first the proponents and opponents of the American valuation plan.

The committee expects first to hear members of the Tariff Commission and certain special agents of the New York customs office with respect to this plan upon Monday and Tuesday next.

The committee expects to close the hearings upon the American valuation plan by Thursday next and then to take up the several schedules in order.

Notices will be sent to all applicants for hearings as early as possible, advising them when they can be heard.

In order to avoid duplication of arguments and suggestions it is requested that persons desiring to present the same character of information relative to any tariff item agree upon one representative to present their views.

The hearings will be conducted in room 312 of the Senate Office Building. Sessions will be held each day from 10.30 a. m. to 12 noon and from 2.30 p. m. to 5 p. m.

It is desired that witnesses endeavor to prepare their statements in such form that their presentation will not require more than 30 minutes.

Persons wishing to be heard should, if possible, apply to the clerk of the committee, prior to the date set for the hearings, for an assignment of time. In making such application the following information should be given: Name, business address, temporary address in Washington, business or occupation, the person, firm, corporation, or association represented, and the item and paragraph of the tariff bill (H. R. 7456) concerning which testimony will be given.

All briefs and other papers filed with the committee should have indorsed on them the item and paragraph of the tariff bill (H. R. 7456) to which they relate, and the name and address of the person submitting them, his business or occupation, the name of the person, firm, corporation, or association whom he represents.

BOIES PENROSE, *Chairman.*

The CHAIRMAN. Owing to the fact that the valuation is the basis of all competition, it was thought best to begin with the consideration of the valuation provision of the bill, and on that subject it was deemed well to request the presence of the members of the Tariff Commission and certain customs officials connected with the administration of the customs of the port of New York.

If the chairman of the Tariff Commission is present, the Chair would call on him.

**STATEMENT OF HON. THOMAS WALKER PAGE, CHAIRMAN
UNITED STATES TARIFF COMMISSION.**

The CHAIRMAN. Kindly state your full name to the stenographer for the purpose of the record.

Commissioner PAGE. Thomas Walker Page.

The CHAIRMAN. How long have you been chairman of the Tariff Commission?

Commissioner PAGE. I have been chairman, Senator, of the Tariff Commission for about two and a half years; I do not recollect the exact date of my appointment.

The CHAIRMAN. The committee desires information and advice in a concise and brief form on this question of valuation. It is needless for me to call your attention to the fact that the members of the committee, and I particularly as chairman of the committee, are in receipt of a very great number of letters for and against the method of valuation adopted in the House bill, and before arriving at a conclusion, and understanding that the bill as it now stands is largely the result of your conferences with members of the committee, the committee would be glad to hear briefly your views on the matter.

Senator SMOOT. May I ask you whether the views you are going to express now are the views of the full tariff board, or is there a division of sentiment among the members of that board?

Commissioner PAGE. Senator, I do not propose to express opinions as to the desirability of the American valuation, certainly not as representing the Tariff Commission. The commission has never taken any collective expression of opinion as to whether this is a good measure or not. There are members of the commission who cordially approve of it; there are other members of the commission who, to judge from remarks and incidental expressions, I venture to say, would certainly reserve their opinion as to whether it is desirable or not. We have not looked upon it as one of the duties of the Tariff Commission to make up its mind, certainly not to give expression to any consensus of opinion as coming from the commission, to either this committee or the Committee on Ways and Means, as to whether at the present time the adoption of this measure is desirable or not.

The Tariff Commission has attempted throughout its career to confine itself to facts as far as possible, and to present to Congress only those facts that the Tariff Commission believes to be correctly ascertained.

The CHAIRMAN. You desire to accentuate to the committee, as I understand it, that you are appearing individually before this committee, not for the Tariff Commission as a body; is that it?

Commissioner PAGE. Mr. Chairman, I am here at the request of the committee to reply to any questions that the committee may see fit to ask me.

The CHAIRMAN. That is the better way of putting it.

Commissioner PAGE. And we have no expression of opinion by the commission to give to you.

I may say that there are certain members of the commission that are cordially in favor of this measure. The two new members that have been added to the commission within the last two months have long been advocates of the system of American valuation. They have spoken for it and have written for it for years before they became members of the Tariff Commission.

The CHAIRMAN. You refer to Mr. Burgess and who else?

Commissioner PAGE. And Mr. Marvin. Those gentlemen, long before they became members of the Tariff Commission, were in favor of this measure and they expressed themselves accordingly.

The CHAIRMAN. How are the other members?

Commissioner PAGE. The other members have not given any formal or official expression of opinion.

If you wish to know the opinions merely of the members of the Tariff Commission, of course, as individuals we are perfectly willing to express those opinions. But I can not commit the Tariff Commission one way or the other as to its advocacy or its opposition to the American valuation. I have not looked upon it as being a part of the duty of the Tariff Commission to express opinions or to give views to either House of Congress on a matter of this kind.

The CHAIRMAN. You are right.

Commissioner PAGE. We are not a body authorized by law to give advice or to suggest policies, but merely to furnish information where information is obtainable.

We have, as you gentlemen doubtless know, already made a report on the subject of American valuation, in which we have assembled such information as was at that time available. The truth is that information in regard to this matter is obtainable in meager quantities, for the reason that it is a comparatively new proposition not only for this country but for other countries. It is true that there are some countries that for years have had a practice of appraising goods for duty at their landed value or supposed selling value in the country to which they were imported. Such a country, for example, is Holland, the Netherlands, where goods are appraised for duty, as I remember, at the value of those goods in Holland. But in Holland the duties are low; the Dutch tariff is for the most part a revenue tariff; it is not a protective tariff in the sense that we use the word "protective," and they can afford to be much more liberal in their appraisements and in their interpretations of the purposes of their tariff than could a country like ours where the tariff is a much more important measure in regulating our trade with foreign countries.

In some other countries, likewise, they have a nominal system of home valuation, but it is frequently accompanied by a system of proclaimed values. That might be illustrated by the well-known export duty on hides from India. The Government puts the duty at 15 per

cent on hides for export, but the Government proclaims what the value of the hides that are exported is per pound. That really reduces this ad valorem duty practically to a specific duty.

Senator REED. But does it lower the duty?

Commissioner PAGE. They can proclaim, of course, any value that they like for hides. In general they attempt in this proclamation to reach a sort of crude approximation to what the hides would be likely to sell for in India at the time.

So likewise in certain South American countries, where they have a combined system of proclaimed values and specific duties and sometimes genuine ad valorem duties, the proclaimed value in a general way they attempt to make crudely approximate to what the selling price of the goods would be.

Senator REED. What has been the custom here, then, as to accepting those proclaimed values as the value upon which tariffs should be levied in this country?

Commissioner PAGE. We have never tried that, Senator, and we have therefore no experience and no customs connected with it.

Senator REED. Do you know what is done actually in the collection of tariffs on these articles?

Commissioner PAGE. You mean in the South American countries?

Senator REED. No; in our own country when the goods are imported here.

Commissioner PAGE. I am speaking of the duties imposed by those countries on goods they import, not on goods we import from them, but on goods they import.

Senator REED. Are these facts that you are referring to set forth in your report?

Commissioner PAGE. They are set forth in our report.

Senator REED. What report is that?

Commissioner PAGE. That is the report of the United States Tariff Commission on American valuation.

The CHAIRMAN. I have got it here and have sent for other copies, Senator?

Senator REED. That was printed in 1921?

Commissioner PAGE. It was printed March 26, 1921. Our own experience, Mr. Chairman, in regard to home valuation was too brief and too remote to be significant at the present time. You gentlemen will remember that in the tariff that went into operation, as I remember it, in 1842, there was a provision for home valuation, but the regulations under which that method of appraisement was to be attempted appear to have been so confusing, so conflicting, and so complicated that the provision was repealed after two months. It was altogether unsatisfactory.

I repeat that that experience was too brief and too remote to serve us as any indication of the possibility or the expediency of such a measure at the present time.

One of the usual objections that have been made to the Tariff Commission to the plan for American valuation is its great uncertainty. The difficulty of appraising the market value of imported goods is greatly exaggerated by some, and in my judgment it is not given sufficient importance by others. It is as easy, in my opinion, to appraise the great bulk of staple commodities that come to this country at their American market value as it is to appraise them at

their foreign value; in fact, the experience of many generations has indicated that we can, so far as the great bulk of our trade is concerned that is covered by ad valorem duties, get the foreign value with satisfactory approximity at least. But the specialties and the novelties and the new designs and the new goods it is difficult to appraise abroad, and it is just those things that it would be difficult to appraise so far as American value is concerned.

Senator REED. The same difficulty exists in both cases, then?

Commissioner PAGE. The difficulty is of equal degree; not the same difficulty, but an equally great difficulty. The difficulties that we now experience in getting foreign values would be repeated in different form in getting the American value of the same sort of things when they come to this country.

On the whole, it is maintained by the customs officials, and it is generally, I believe, maintained by all who look upon the protective policy of this country as having been successful in the past, that we have been successful in the appraisement of foreign values so far as the great purpose of the American protective policy is concerned.

Senator SMOOT. You do not mean by that that there has been no undervaluation?

Commissioner PAGE. Far from it, Senator Smoot; there has been undervaluation; the degree of it is unknown and the amount of it is unknown. We frequently have detected cases of it. So far as the amount of undervaluation may be compared with the amount of goods that are appraised at their real value, it is impossible to say just how much undervaluation there has been. But on the whole it appears not to have affected the purpose for which the protective tariff was designed.

Senator SIMMONS. Mr. Page, will you tell me, if you know, to what extent we have accepted the valuation placed on imports into this country by the exporter?

Commissioner PAGE. It is impossible to answer that question, Senator Simmons. I will say that—so far as the great staples of commerce are concerned, those that constitute the overwhelming bulk of our trade—values have, except in periods like that through which we have recently passed, been fairly stable and been known all over the world.

Senator SIMMONS. The rule has been, then, that we have accepted for the purpose of imposing our duties the foreign values, or the valuation placed upon the goods by the exporter?

Commissioner PAGE. Not unchecked.

Senator SIMMONS. Not unchecked, of course. But with reference to that, is not this true: The foreign exporter recognizes the fact that if he places an undervaluation he is liable to be checked up?

Commissioner PAGE. Yes.

Senator SIMMONS. And that in that process he may have to pay upon a higher valuation than the real foreign value, and therefore does not that check operate upon him to secure a fair and reasonable valuation upon the basis of the foreign market?

Commissioner PAGE. Undoubtedly it does, so far as the greater part of our trade is concerned. At the same time there have been cases where men have attempted to evade the law by undervaluation and in some cases they have been detected.

Senator SIMMONS. Undoubtedly that is so.

Commissioner PAGE. But it is possible that they have not all been detected.

Senator SIMMONS. Undoubtedly they have not all been detected, but has not that been the exception?

Commissioner PAGE. Of course, no one can speak accurately with regard to a matter of that kind where you are dealing with the amount of evasion. If the evasion has been successful, of course, we do not know about it. But in my opinion, Senator—it is only an opinion, however—there has been relatively little of that done; that is, I believe that the amount of undervaluation has been, as compared with the amount of goods that have paid full duty on full value, very small.

Senator REED. That is what I thought.

Commissioner PAGE. It has been variously estimated from a fraction of 1 per cent to as high as 10 per cent. I have seen some estimates that put the amount of undervaluation at more than 10 per cent, but it is all a matter of estimate, and the estimates usually vary with the nature and sometimes with the business of the man who makes the estimates.

Senator WALSH. That bears out the Senator's inquiry?

Commissioner PAGE. If I interpret the Senator's question correctly, yes.

Senator SMOOT. But generally there are certain lines of goods that undervaluation has always been claimed, and no doubt a great deal of the importations has been on a basis of undervaluation.

Commissioner PAGE. It is commonly believed, Senator Smoot, that undervaluation has been more in some lines of goods than in other lines of goods.

Senator REED. Do you think, taking it on the average, that 1 per cent or one-half of 1 per cent is the best estimate that can be made?

Commissioner PAGE. I could hardly say that, Senator; and I would hesitate to commit myself to an opinion as to what the degree or the ratio of undervaluation to full valuation would be. I merely state that these estimates have varied between the fraction of 1 per cent and, as high as I can remember, 10 per cent. I do not think that I have ever seen an estimate that puts the amount of undervaluation at more than 10 per cent. I have no opinion that is worth expressing on that, because it is a matter about which information can not be obtained.

Senator REED. Of course.

Commissioner PAGE. If information could be obtained, there would be no undervaluation whatsoever. There have been notorious cases of attempted undervaluation, and in some of these cases the Government has successfully brought suit and has visited the offenders with the penalties provided by law. There have been other cases where the Government has brought suit and has not won; the importer or the accused person has been able to show that the Government was mistaken in its suspicions. As a rule, the Government is rather careful before bringing suit for undervaluation to make sure that it has a case. So that it is quite possible that cases of undervaluation get by without the knowledge of the Government officials.

Senator REED. And that might occur under the American valuation?

Commissioner PAGE. I will say this, Mr. Chairman, that any tax of any kind that is based on value is based on an unstable and an insecure basis.

The CHAIRMAN. It is the same rule as applies to real estate or anything else, low in some cases and high in others?

Commissioner PAGE. Perhaps in the case of commodities that appear in trade it is even more unstable, for the reason that those values fluctuate much more rapidly than does the value of real estate. It is notorious that in giving the value of his property for taxation, the average taxpayer is tempted to put the value as low as possible.

The supreme court of a certain one of our Western States on one occasion, in connection with a witness who was being heard in another case, when his veracity was attacked on the ground that he had made a false declaration of his property for taxation, maintained that perjury in regard to the assessment of property for taxation does not necessarily impair the credibility of a witness under oath in other matters. [Laughter.]

That being the case with regard to the American valuation of property in this country for domestic taxes, it might be thought to apply to the credibility of men who make assertions or who sign invoices with regard to the value of commercial commodities that they bring in.

The CHAIRMAN. Is it not true that the undervaluation is most common in articles of higher value and largely noncompetitive commodities?

Commissioner PAGE. Not necessarily, Senator. I think, perhaps, undervaluation would be rather more likely to succeed in the cases of goods that are noncompetitive, for the reason that there would be little inducement on the part of any interest in this country to detect such an undervaluation. But many articles of high value have a more stable value than some articles whose intrinsic value is lower; that is, the uncertainty and the fluctuations in value do not occur in proportion to the amount of value of the article involved.

Senator REED. I do not want to interrupt you, but I would like to ask this question, whether it is not true that goods imported from foreign countries are ordinarily bought in what may be called the open market in the foreign country; that is a fact, is it not?

Commissioner PAGE. In regard to the great staples of commerce, naturally and necessarily that is true.

Senator REED. In regard to anything a man purchases outside of something that is not ordinarily dealt in, a man goes over to a country or has his agents there buy goods, and, of course, he buys them as cheaply as he can. But in a way and in a very practical way that price must be related to the common price prevailing at that time in that country. Would not that be true?

Commissioner PAGE. In general, that would naturally be the commercial practice.

Senator REED. So that, in general, when this man imports the goods into the country and is required to state the price that he paid in the foreign country, you have a fairly good index to what the value was in the foreign country?

Commissioner PAGE. I think that our appraisers, Senator, have acquired an astuteness and a body of information with regard to foreign values that enable them in nearly all cases to appraise imported

goods at their actual foreign value. The commodities which are in doubt so far as the foreign value is concerned are commodities whose American value would probably likewise be in doubt. Take, for instance, oriental rugs. They are usually not what you have indicated, but they are picked up here and there in various places abroad, and they are bought frequently as individual pieces from individual sellers, and a special bargain is made with regard to each one. That is merely a bargain between the buyer and seller. No one knows except those two, in many cases, what has been paid for the rug. When that rug is invoiced to the United States, the man who is sending it over puts on it probably as low a value as he thinks he can get away with in the appraisal by the appraisers. The appraisers, when that rug arrives, would appraise it at what, in their judgment, that rug would be worth in the country from which it came. In a case of that kind you can scarcely say that the appraiser has knowledge that is infallible, and, of course, it is obvious that he can not have accurate and infallible knowledge with regard to those things. But in a general way he would know what a Bokhara rug was worth in Constantinople, if it were of certain size and in certain condition; and he would know what a Baluchistan or any of those other oriental rugs were worth in the markets where they are commonly dealt in in the Near East; and in that way he makes his appraisal.

Senator REED. And he would also have the benefit, in a particular shipment of rugs that came in, of comparing the price or value which the importer placed upon that batch of rugs with the price that had been placed by a large number of other importers, so that if the value was very much out of line he could at once detect it.

Commissioner PAGE. He would be apt to detect any very great divergence in the value of any certain importation from other previous importations.

Senator REED. Let us take this question of oriental rugs. I do not want to dwell on it, but I think I can illustrate the point. Suppose you were going to take the American valuation on these rugs. In trying to arrive at the American valuation, the American prices upon those rugs varies with practically every dealer, does it not?

Commissioner PAGE. The price is apt to vary still more widely with every purchaser.

Senator REED. So that we would not have as good valuation in that instance, if we took the American valuation, as we would if we took the foreign valuation, where the purchase price paid would be taken into account and where all other shipments from abroad, compelled to go through the hands of the same men, would be used for the purpose of comparison.

Commissioner PAGE. Of course, the case of oriental rugs, Senator, is an extreme and very exceptional case.

Senator REED. That is the reason I am calling attention to it.

Commissioner PAGE. It simply illustrates the general trend of commerce.

Senator REED. I am speaking of it, because you chose it.

Commissioner PAGE. Yes, sir.

Senator REED. I think it is one of the extreme cases.

Commissioner PAGE. There is no comparable American product. This bill provides that duty shall be assessed on the value of comparable and competitive American products. We have many

products which compete with oriental rugs. Oriental rugs compete with almost every floor covering, directly or indirectly, but in a certain sense they are not comparable, any more than a work of art brought from abroad would be comparable with any that have a wholesale value in this country.

Senator REED. That brings me, then, to another question. If we are to fix a value upon imported goods, taking into consideration the price charged for American goods of similar character, it follows, does it not, that if the American goods are pushed up in price then on the valuation of the foreign goods there is a corresponding push up in price?

Commissioner PAGE. Naturally, for dutiable purposes.

Senator REED. And if there was a combination capable of controlling the American prices, or a monopoly controlling American prices, then every time that combination or monopoly saw fit to advance the price of a product it would thereby advance the price of these competitive products coming from abroad?

Commissioner PAGE. That is quite obvious, Senator, just as the converse of it is equally obvious, namely, that the incentive to lower prices on the part of domestic producers would, as some have maintained, be reduced by reason of the fact that the lower they make their prices the more they subject themselves to foreign competition.

Senator REED. I agree, of course, that there are two sides; but have you ever heard of a combination in America to reduce prices?

Commissioner PAGE. I have heard of many combinations of purchasers looking toward the reduction of prices.

Senator SIMMONS. The prices of things they have to buy?

Commissioner PAGE. Yes, sir.

Senator SIMMONS. But you never heard of a combination to reduce prices of things that combination produces, have you?

Commissioner PAGE. I have never heard of that.

Senator SMOOT. During the war there has been very little undervaluation, not nearly as many cases as before the war?

Commissioner PAGE. That is very probably true, Senator, but we are almost entirely in the dark when we talk about the amount of undervaluation.

Senator SMOOT. I did not say the amount, I said the number of cases.

Further, now that there is such a wide discrepancy in the exchanges of countries, do you not think there will be a tendency in the future more than in the past to undervalue goods coming from abroad into this country?

Commissioner PAGE. I am inclined to think not, Senator, for the reason that the desperate needs of the people of those countries abroad will compel them to sell their export goods at as high a price as it is possible for them to get. Of course, their first need is to sell—to sell at almost any price—but instead of undervaluing and instead of dumping and instead of trying to sell at a low price, I think there will be every effort made to sell at as high a price as possible; and I think that for the psychological effect, in part, there will be an attempt made by these countries with a low exchange to show that their trade with foreign countries is increasing and that the values are going up.

Senator McLEAN. They would want to get them through the customhouse at as low a price as possible?

Commissioner PAGE. Naturally, and always have.

Senator McLEAN. After they have succeeded in paying the duty, there would be no disposition to keep the price down, but there would be an incentive to lower the value for dutiable purposes?

Commissioner PAGE. I think so.

Senator REED. You know, do you not, Mr. Page, that in some of the countries of Europe the government itself, either directly or through some agency, has fixed the export price far in advance of the local selling price?

Commissioner PAGE. Do you know of any country except Germany in which that attempt has been made?

Senator REED. I have only heard of the instance of Germany. I was asking you, because I thought you could clear it up.

Commissioner PAGE. That is the only country I know of where an attempt has been made to do that, and the success of the attempt in Germany appears to be very doubtful. There have been measures proposed and nominally adopted, but the administration of those measures appears to have been attended with great irregularity and uncertainty. To what extent, therefore, they have been effective is unknown.

Senator SMOOT. Before the war the practice was to sell cheaper for exportation than in their own country.

Commissioner PAGE. Naturally.

Senator McLEAN. I should like to have Mr. Page give his opinion as to the advisability of this American valuation plan as a whole.

The CHAIRMAN. I think if we could get down to a concrete statement it would be much better than this running discussion.

Senator SIMMONS. I think we ought to have a concrete statement, but I think we ought to have full liberty here to investigate all phases of the matter.

The CHAIRMAN. There is no doubt of that. It is a very important question, the most important in the bill, and there ought to be the fullest opportunity for investigation. The Chair does not desire to interfere, and has no power to interfere if he wanted to.

Senator McCUMBER. I would like to ask Mr. Page one question along this line.

Recognizing the fact that the cost of production in the United States for the last few years has been excessively high, I would like to have your judgment as to whether an American valuation would not in all probability tend to maintain the high cost of production in the United States?

Senator REED. You mean to say "high prices," do you not?

Senator McCUMBER. No; I mean the high cost of production. In other words, if we make our ad valorem duty upon the American valuation, would not that valuation continue high and would not those who produce in the manufacturing lines follow about the rule of the cost-plus system in making contracts and keep the prices up without any attempt to lower them?

Senator REED. That is what I tried to point out, the difference between the price and the cost of production.

Senator McCUMBER. I want to get something concrete on it, because it is a matter that bothers me, I confess.

Commissioner PAGE. Senator, it is almost impossible to base legislation upon the cost of production, either in this country or abroad. There is scarcely any will-o'-the-wisp that is more evasive and more difficult to reach than what we have in mind when we speak of cost of production. An effort to get the cost of production, even in this country, results usually in so many arbitrary allotments of expenditures, in so many purely estimated results, that it is almost impossible, except in the case of certain special products, to get the cost of production with certainty. Naturally, that difficulty is even greater when we speak of the cost of production abroad. To get in actual dollars and cents what it costs to produce a commodity in a foreign country is almost impossible, except by accident.

Senator McCUMBER. We know in a general way that the cost of materials that go into manufactured products has greatly increased.

Commissioner PAGE. Yes, sir.

Senator McCUMBER. We also know that the cost of labor has increased.

Commissioner PAGE. Yes, sir.

Senator McCUMBER. We also know that, at least up to the present time, the efficiency of labor has decreased, compared with what it was before the war.

Commissioner PAGE. Yes, sir.

Senator McCUMBER. And the natural consequence is to vastly increase the cost of production, and that means a very much higher price for each commodity.

Commissioner PAGE. Yes, sir.

Senator McCUMBER. Would not the effect of this American valuation tend to maintain that very high cost of production, carrying with it a higher price of commodities?

Commissioner PAGE. Your question, as I understand it, is similar in nature to the question from the other end of the table a moment ago, with regard to the removal of the incentive to lower costs. When you lower costs or lower values, you are opening the way to a keener and more active competition from foreign countries. Does that answer your question, Senator?

Senator McCUMBER. If the tendency would be to keep the prices up, in your opinion. I am trying to get your opinion.

Commissioner PAGE. The inducements to lower prices would be lessened. I believe that in most cases domestic competition would be sufficient to induce producers to sell their products for as low a price as they can, with a reasonable margin of profit. In nearly all of our staple products that would be true. It is domestic competition with most of our producers which will keep our prices down. In some cases the fear of foreign competition naturally will have an additional influence.

Senator McCUMBER. But with this ad valorem and the American valuation, there would be far less incentive on the part of manufacturers to lower the cost of production, would there not?

Commissioner PAGE. I do not think there would be less incentive to lower the cost of production. I think every producer would constantly strive as far as is within his power to lower his cost of production. There would be less inducement for him to lower the price at which he sells his product. He would lower his cost of pro-

duction always and inevitably, in order that the difference between his cost and selling price may be widened.

Senator McCUMBER. If he does not have to lower his selling price, would there not be less incentive for him to lower the cost of production?

Commissioner PAGE. Perhaps we might say there would be less compulsion upon him to lower his cost, but the incentive would remain.

Senator SMOOT. On a falling market, not only in foreign countries, but in America as well, a thing like that could not happen, could it?

Commissioner PAGE. Not very well, Senator.

Senator SMOOT. It would be impossible.

Senator REED. Well, just to clear it up, while there might not be the incentive to lower the cost of production, because that is already taken care of by the desire of the man to produce goods as cheaply as he can and make as much profit as he can, it is nevertheless true that the system suggested would have a tendency to remove the incentive or necessity for lowering the price.

Commissioner PAGE. Yes, Senator Reed.

The CHAIRMAN. Now, Mr. Page, will you proceed with any further statement you desire to make to the committee?

Senator SIMMONS. Mr. Page, before you leave that, I want to ask you just one question. Does this American valuation, or does not this American valuation plan involve a tax upon a tax?

Commissioner PAGE. To the extent that the American valuation is presumed to be the value abroad, plus the duty?

Senator SIMMONS. Yes.

Commissioner PAGE. Not necessarily, Senator, when you make the American value the value of goods that are already produced in the United States, the value at which they are disposed of at wholesale. That value is supposed to contain no duty in it.

Senator SIMMONS. In ascertaining the value of American products would you not have to necessarily include in that any value that had been added to that product, to the price of that product, so increasing the price of that product, by reason of the fact that a duty is imposed upon the foreign product?

Commissioner PAGE. You are asking a question, Senator, that a reading of the pending bill does not enable me to answer; that is, you are asking how the appraisers are going to ascertain that American value.

Senator SIMMONS. Let me put it more clearly. Suppose a new duty is placed upon some product produced in America to a large extent?

Commissioner PAGE. Yes, sir.

Senator SIMMONS. The American manufacturer, by reason of the fact that that duty upon his foreign competitor has been increased, would naturally increase the price of his product?

Commissioner PAGE. Provided that it was foreign competition, rather than domestic competition, that kept it down.

Senator SIMMONS. That is what the tariff is said to be for, to protect against foreign competition.

Commissioner PAGE. In many cases that is exactly what would happen.

Senator SIMMONS. That means, if it means anything, that the price in America has been brought down in the absence of a duty to the price abroad. If the American article needs protection against a foreign article, it means the foreign competition has pulled the American price down to the level of the foreign price. Now, suppose you put a duty upon the foreign article, would not the American producer take advantage of that and increase his price accordingly, and when the next consignment of foreign goods comes the American price would be enhanced by reason of the duty, and the foreign article would be also raised up to the same level, for the purpose of valuation?

Commissioner PAGE. Yes, sir; that is one of the arguments.

Senator SIMMONS. Is not that a tax upon a tax?

Commissioner PAGE. That was one of the arguments that was used against the American valuation in the middle of the nineteenth century.

Senator SIMMONS. It has been used against it in this century, has it not?

Commissioner PAGE. Naturally, and obviously, and necessarily, Senator, that would be the case.

Senator SMOOT. You do not mean to say if there was a duty on a piece of cotton cloth of 20 per cent to find the cost of the American manufacturer of making that same cloth for American valuation that 20 per cent is added to the cost of that article? You do not mean to say this bill provides that, do you?

Commissioner PAGE. We are not speaking of costs, as I understand it.

Senator SMOOT. That is what the Senator was talking about.

Senator SIMMONS. I was not talking about cost at all; I was talking about price.

Senator SMOOT. Nobody ever denied duty is added to the foreign price.

Senator SIMMONS. The effect of the duty is to raise the American price.

Commissioner PAGE. As I understand Senator Smoot's question, it might be illustrated in this way—

Senator SIMMONS. The American value raises the value upon which a tax has to be paid and to that extent it is a tax upon a tax.

Senator SMOOT. Not a tax upon American goods. If there is a tax upon a tax, it is imposed upon foreign goods.

Commissioner PAGE. Let me see if I can not get that a little clearer by an illustration, Senator.

Senator SIMMONS. It is not a tax upon the cost. What it is, is a tax upon the valuation of foreign goods based upon the selling price of American goods.

Senator SMOOT. The wholesale price.

Senator SIMMONS. Goods of like character or comparably so.

Commissioner PAGE. Let us take an illustration and see if we can not understand more precisely what the Senator's question is.

There is a certain variety of cotton cloth—you referred to that a moment ago—made in this country, known as Venetian, which you are probably acquainted with. It is also made in England. A report of the Tariff Commission about two years ago showed that the price of that American cotton cloth had fallen fairly close to the price in America of that English Venetian that was imported over here.

Senator SIMMONS. That means the price plus the duty?

Commissioner PAGE. That means the price, plus the duty. That Venetian pays a certain rate of duty under the Underwood law. I assume that under this pending act the duty would be raised; that that English cotton Venetian would be sold in this country at a higher price than it was sold before the passage of this act, because of a higher rate of duty. The natural tendency of American manufacturers would be to likewise raise their price, because they no longer have the fear of competition from the English product at the price at which it came over before. Therefore, by reason of the increase in duty on that American valuation, it would increase the price of comparable and competitive American products. In that sense, I take it, Senator Simmons means we are paying a tax upon a tax.

Senator SIMMONS. That is it exactly.

Senator SMOOT. I agree with you in that statement. Your statement is correct, but during the war times there was very little competition. Now competition comes in, and we are going to claim and the American manufacturers are going to claim, and I think the American people are going to believe, that the competition will be great and will require more duty than there is in the Underwood bill, particularly with the exchanges against it as they are. I think there is no doubt about that.

Senator SIMMONS. Now, you say that raising the tariff upon an article upon which there is sharp competition between American and foreign producers would necessarily and in all probability result in the increase in the price in America to the extent of the duty, or approximately the extent of the duty.

Commissioner PAGE. Unless, as Senator Smoot suggested, domestic competition influenced the price.

Senator SIMMONS. You can answer that after I get through.

Commissioner PAGE. Pardon me.

Senator SIMMONS. The effect of that you say would be, of course, to increase the valuation placed upon the foreign product for taxation. Now, suppose that is increased in this way, but the foreign products still continue to come in, and the American who desires to meet that competition raises his price, arbitrarily, we will say. That arbitrary raise has to be added to the foreign valuation, and that can go on at the will of the American producer until he has reached the embargo point, can it not?

Commissioner PAGE. Theoretically, at least, Senator; yes, sir.

Senator SIMMONS. Well, you say "theoretically." You mean by that if the producers in this country can come together and have an understanding? That is what you mean by "theoretically"?

Commissioner PAGE. Not quite, because in making these increases they necessarily would be smaller each one than the one before, and would diminish rather rapidly until they became so very small as to be negligible. There is a limit to that which common sense would fix, of the amount by which the duty would increase the American value. If, for example, the duty on Venetian were raised, we will say, 10 cents a yard, then the American value would increase under our supposed case about 10 cents a yard. Then there would be an additional duty on that American valuation, if it is an ad valorem duty, equivalent to 10 cents in the first place, but there would not be the full amount put on in the first place, because the cloth inste d of

selling for 50 cents sells for 60 cents, which is an increase, but only an increase of 20 per cent.

Senator SIMMONS. He can increase the domestic price until he has produced a situation that will prevent further competition. He can undoubtedly, by pursuing that process, continue gradually to increase the duty imposed upon that competitive article.

Senator SMOOT. If Congress does it.

Commissioner PAGE. Yes, sir.

Senator SIMMONS. In this country, any article that is monopolized, or any article the price of which is fixed by a monopoly, as in the case of gasoline, it is an easy matter for that industry to act in concert in the matter of fixing prices, and it would be an easy matter for them to raise the price constantly until they have increased the valuation of the competitive article to a point that the tax would be prohibitive.

Commissioner PAGE. I think not so far as that, Senator.

Senator SIMMONS. It would come to a point where it would be excessive, would it not?

Commissioner PAGE. With a much heavier tax than Congress originally intended.

Senator SIMMONS. And by that process you put in the hands of the producers of this country the opportunity and the privilege of increasing their tax at will.

Senator REED. Increasing their own protection.

Senator SIMMONS. Increasing their own protection.

Senator SMOOT. If they did not have any competition.

Commissioner PAGE. Yes; up to a certain point, Senator, that is true.

Senator SIMMONS. I would like to know up to what point.

Commissioner PAGE. That could not be told.

Senator SIMMONS. This is the first time in the history of this country it has been proposed to place in the hands of the American manufacturer the arbitrary and unrestrained privilege of increasing his protection against competition.

Commissioner PAGE. Yes, sir; practically.

Senator SIMMONS. Through the law; not through unlawful action on his part, but by lawful action on his part. Is not that so?

The CHAIRMAN. It has reached the point where people would not buy his product.

Senator REED. I want to treat this question, Mr. Page, in a little simpler way if I can.

Let us assume that the tariff upon an article is 50 per cent at present on the foreign valuation. Let us take an article that is worth \$100 here, but worth \$70 abroad, and that a tariff of 50 per cent, based on the foreign valuation, is added. That article, then, would cost here—\$70 being the foreign price and \$35 being the tariff—a total of \$105. It would be sold, then, in competition with an article which had originally been \$100 in this country, the citizen of the United States having the advantage because of this 50 per cent tariff. That is correct, is it not, that far?

Commissioner PAGE. It is.

Senator REED. Suppose that instead of taking a foreign valuation and allowing the tariff to stand exactly where it was, we levy 50 per

cent upon the American valuation. Then the tariff would be \$50, would it not, instead of \$35?

Commissioner PAGE. Certainly.

Senator REED. And that added to the foreign value would give you \$120 as the value that the foreign goods would have to command in order to pay the tariff and in order to realize the foreign price?

Commissioner PAGE. Yes, sir.

Senator REED. So that by the simple device of changing the valuation from the foreign valuation to the American valuation in many instances, without changing the rate of tariff at all, the tariff would become so high as to become substantially prohibitive?

Commissioner PAGE. Inevitably if you change the basis from a lower to a higher without changing the rate you necessarily raise the amount.

Senator REED. And whenever you do change from a foreign valuation to the American valuation on all those articles that are in common and general use—I am omitting now the specialties that were referred to a while ago—you do, by one stroke of the pen, enormously advance the tariff rates in effect?

Commissioner PAGE. Unless you change the rate when you take a higher basis of valuation, you necessarily raise the tariff.

Senator REED. Yes.

Senator SIMMONS. In the case that Senator Reed just gave you raise the tariff \$15?

Commissioner PAGE. If it is contemplated that the change from a low basis to a high basis retains the same rates, it is too obvious to require comment that you raise the tariff.

Senator SMOOT. There is no doubt about that.

Senator REED. Then, unless there is good reason which has not yet been shown to abandon the foreign valuation, would it not be a franker thing for us to change the rates, to advance the rates, and do it frankly, and let the American people know that we are advancing the rates?

Senator SMOOT. The American people will know it, because nobody has denied it.

The Senator from North Carolina insists that the manufacturer himself can raise those rates, and you said, yes, he could, arbitrarily. He can not raise them any more than the rate fixed by Congress—that is, the amount of duty. That is all he can raise it. Is not that true?

Commissioner PAGE. It is true that he can not raise it higher than Congress permits. As the Senator from North Carolina added, he now proceeds by law to increase the amount that is payable on foreign imports by raising the price of his own products in this country.

Senator SMOOT. That is the amount of duty that is granted upon his goods by Congress.

Commissioner PAGE. I understood the Senator to safeguard his statement by saying that he was now proceeding by law to increase the rate of duty to be paid.

Senator SIMMONS. By permission of law.

Commissioner PAGE. By raising his own prices.

Senator SIMMONS. The right and the opportunity that the law gives him.

The CHAIRMAN. He has the opportunity, according to your theory, to raise the rate?

Senator McLEAN. That is what we expect in this country.

Commissioner PAGE. I rather think, Senator, that my opinion on that point is clear both to you and to the Senator from North Carolina, as far as that goes.

Senator SMOOT. Your latter statement is clear to me, and of course nobody is denying that; but when the Senator from North Carolina says that the manufacturer can, at his own sweet will, arbitrarily raise the price as high as he wants to——

Senator SIMMONS. I meant, of course, and the witness understood me to mean, that the manufacturer, for the purpose of increasing the tax on the foreign article, raises the price of his product, and that the result would be an increase in taxes imposed by this Government upon the competitive article.

Senator SMOOT. He might not be able to sell the article.

Senator SIMMONS. That would remain stationary, of course, but I had reference to the amount of taxation that would have to be paid upon a foreign article as the result of this arbitrary increase by the American producer of the price of the domestic product.

Senator McLEAN. By that same process of reasoning, if you adopt a foreign valuation your foreign producers can combine and arbitrarily lower the value of their exports.

Senator SMOOT. The same as they did before the war.

Senator McLEAN. If it works here it will work there. It seems to me it is an exaggerated view to take.

Commissioner PAGE. Mr. Chairman, if I may be permitted to say so, there are a large number of considerations of minor importance in connection with this matter of American valuation. On the whole it appears to me that the determination as to its expediency lies between balancing one great argument in its favor and one great argument against it.

The great argument in its favor is found in the fact that foreign exchanges are very variable as between this country and other countries, and they fluctuate with great violence. The exchange between England and America is one thing; the exchange between America and Germany is another thing. The same article coming to this country from England, therefore, would pay on a foreign value a much higher duty than the same article if it came to this country from Germany.

There appears to be no valid reason why we should tax imports from England higher than we tax imports from Germany, unless you wish to give consideration to this very important fact, that there is no hope that in the future at any time will the exchanges right themselves unless we make some allowance for purchase in those countries where the exchanges are now low. The country, in other words, that has the lowest exchange will need the greatest consideration, if we wish to renew our commerce with that country and if we wish to establish any stable rate of exchange at any time in the future between the United States and the rest of the world. You can do that only through the instrumentality of commerce.

American valuation would give at least a temporary remedy for this difference in the exchange rates between the United States and

these different foreign countries. It would, however, be only a mitigation, and a temporary mitigation, of the trouble. The exchanges can never be stabilized until commerce itself is stabilized; and what the world is suffering for now more than for anything else is some stabilization in production and prices and trade.

That is the great argument in favor of American valuation, that is, that it will remedy, to some extent, at any rate, this difficulty in foreign exchanges.

Senator McCUMBER. Irrespective of the exchange, take an article that Japan can produce, say, for 20 cents, Italy can produce for 30 cents, and France can produce for 50 cents, without reference to the exchange. Even under a stabilized exchange would it not be better, if it were possible, that we should charge the same against the goods of each one of these countries?

Commissioner PAGE. Senator McCumber, I think that is true; and for that reason I think that a system of specific duties always works better than any possible system of ad valorem duties where a system of specific duties is possible.

Senator McCUMBER. I think we all agree to that.

Commissioner PAGE. It is true that in that case you are penalizing a country for certain advantages which it may have in production, if you tax it as highly as you would tax a country that does not have those advantages.

It is likewise true that you are penalizing the American consumer if you compel him to purchase under the same tax his goods in a country of high production as in a country of low production.

There are those two considerations that of course the statesman must not leave out of account in considering the tariff; but those are considerations that I am sure all the members of this committee have in mind.

Senator McCUMBER. He could still buy the Japanese article instead of purchasing the French article, and buy it very much more cheaply, but he would have to pay the same duty.

Commissioner PAGE. He would have to pay the same duty.

Senator McCUMBER. If we had an American valuation. It seems to me that is the strong argument in its favor.

Commissioner PAGE. That is the strongest of all arguments.

I think attention was called to that fact by Secretary Hoover in his testimony before the committee on Ways and Means. If I remember his testimony correctly, he said that the situation as to exchanges, in his judgment, was the only argument that could justify this proposed change of basis for the valuation of imports.

Senator REED. I either misapprehended the purport of Senator McCumber's question, or it seems to me that your answer was just opposite to what you might have intended it to be. I want to clear it up, because we desire to have it clear in the record.

There are different costs of production in foreign countries, and if we levy a tariff based upon American valuation, it is true, then, that all of those goods coming to this country would bear the same duty at our gates?

Commissioner PAGE. Yes, Senator.

Senator REED. But that would not prevent the purchaser in the United States from buying in the cheap country in preference to the dearer country, would it?

Commissioner PAGE. It would reduce the incentive somewhat, because it would reduce the profit that he must make by buying in the cheaper country when his tax is increased on that purchase.

Senator REED. But it would still drive him all the closer to the cheapest market, because while he would not make as much, he would still reduce his price that much. That is true, is it not?

Commissioner PAGE. Yes, sir.

Senator REED. Is not this true? Let us assume, for illustration, in order to make it plainer if I can, that an article is produced for 10 cents in Japan, 20 cents in Germany, 30 cents in France and 40 cents in England and 50 cents here. The tariff upon that article from all of those countries is the same; that is to say, it is made, we will say, a 50 per cent tariff on the American valuation. In that case the Japanese, producing for 10 cents, will deliver here at 35 cents. The Englishman producing at 40 cents and paying a tariff of 25 cents on the American valuation could not sell here at all. But you still have the same advantage to the cheap producing country, and your tariff might shut out of that valuation England and France and might admit Japan or possibly Germany.

Senator McCUMBER. You would not say it was the same advantage. You would still have an advantage in favor of the cheap country, but the American valuation would make the same tax that the Japanese manufacturer would have to pay——

Senator REED. No, Senator; you are thinking about one thing and I am thinking about another. A tariff laid upon the American valuation might be entirely prohibitive as against the countries of high-cost production and might not shut out the countries of low-cost production.

That is a phase of it that I think is worthy of consideration.

Senator SIMMONS. Yes. Take the case of the peanut. Say that it cost a dollar a bushel to produce peanuts in this country. They sell in this country for much more. I take it from what Senator McCumber said and according to the statement a little while ago, probably it would cost but 25 cents to produce them here.

The CHAIRMAN. I can not hear you, Senator.

Senator SIMMONS. I can not help it. I am talking in an ordinary tone of voice. I will try to raise it.

The margin between the cost here and there is so great that any duty that would exclude the Japanese product would have to be an excessive duty; and that is true as to the product of any country in Europe that has a high wage scale and production cost.

Commissioner PAGE. Necessarily that is true, Senator.

Senator SIMMONS. The point I was endeavoring to make was that this American valuation would not very materially change the situation.

Commissioner PAGE. The American valuation, Senator, would put the same duty upon goods whether they came from a country of high-cost or of low-cost production. Whether it excludes the goods from the country of high-cost production altogether depends upon the rate. It does not depend upon the basis of valuation, but upon the rate.

Senator SIMMONS. And to reach the case like Japan, that we were just talking about, the rate would have to be an excessive rate?

Commissioner PAGE. The rate would have to be a high rate if it is to keep out goods from a country of that kind.

Senator SMOOT. But the difference would not be as great under an American valuation as under the law existing to-day?

Commissioner PAGE. In that respect, Senator Smoot, the American valuation plan would work much the same as a specific duty.

I have mentioned, Mr. Chairman, what in my judgment is the great argument in favor of American valuation, the one which I think requires more careful consideration than any other. With your permission I will now mention what, in my judgment, is the greatest argument against American valuation.

The CHAIRMAN. Go ahead.

Senator SIMMONS. Before you go to the greatest argument against it, let me ask you this: You said a little while ago that on account of the fluctuations in the rates of exchange in different countries this problem was a very difficult one to deal with upon the present basis of valuation. But that difficulty would be removed by adopting an American basis of valuation?

Commissioner PAGE. It would not be altogether removed, Senator; it would be ameliorated.

Senator SIMMONS. Very greatly ameliorated. I am going to ask you this by way of inquiry: Would not that objective be reached by ascertaining the cost of the product, a given product which is imported into this country, the cost of that product in the market of highest value, and making that the standard value for the imposition of duties?

Commissioner PAGE. By that do you mean the cost of production?

Senator SIMMONS. An article is sold in Germany at one price by reason of this fluctuation in exchange. In England at another price, and in France at another price. If you were to ascertain the highest price obtaining in any of these three countries and apply that price as the valuation to be placed upon the article bought from any country and imported into this country from any country—in other words, we will say that a certain article is being imported from three countries—Great Britain, France, and Germany. It sells for 25 cents, we will say, in Germany; 50 cents in France; and 75 cents in Great Britain. If you were to adopt the highest selling price in any of those countries, namely, Great Britain, and fix that as the valuation upon which the tax is to be levied, would you not avoid this difficulty that you have spoken of growing out of the fluctuation in exchange in these countries that have been ravaged by war?

Commissioner PAGE. No, Senator; I think not, for the reason that the country where the price is highest—

Senator SIMMONS. I am not suggesting anything; I am just making the inquiry.

Commissioner PAGE. It will vary. Sometimes the price will be higher in England, sometimes it will be higher in Germany, and sometimes it will be higher in France.

Senator SIMMONS. But you could always ascertain in which country it is highest and adopt that as the standard of value for imports of that article?

Commissioner PAGE. If the price made is highest from some country from which we have no appreciable imports—

Senator SMOOT. We simply go one step further and take the American valuation.

Commissioner PAGE. It seems to me it would inject into the matter utter confusion.

Senator SIMMONS. I am asking if it would not avoid that difficulty.

Commissioner PAGE. No; I think not, Senator.

Senator REED. Let me ask you one question before you go into the broad statement of the other side of this case.

I confess, I will say by way of preliminary to my question, that I do not understand this exchange puzzle. We are told constantly that by reason of the rate of exchange there is a difference in the value. The fact is, is it not, that the reason that English money is more nearly on a level with the money of the United States than with the money of any other country is because their money is sound? Their ability to pay is more secure? That is the reason, is it not?

Commissioner PAGE. That is a part of the reason and the chief part. Another reason is that there is between England and the United States more trade than there is between the United States and these other countries. Therefore payments are made more nearly on an equality.

Senator REED. The fact is that the German mark has been depreciated by the issuance of vast quantities of paper money.

Commissioner PAGE. Senator, what is frequently referred to as the rate of exchange by the press and by men on the street consists of two elements at the present time. One is the genuine difference in exchange; the other is the depreciation of these foreign currencies. When we speak of the exchange between this country and Germany we usually mean the number of German marks that can be bought for an American dollar. You buy a great number of German marks for an American dollar at the present time in this country, for two reasons—

Senator REED. And in Germany.

Commissioner PAGE. And in Germany—for two reasons. One is because the German mark is a paper mark; the other is because the trade between this country and Germany has been so one-sided, so far as we have had any, that the Germans are far more in need of American money to settle accounts over here than we are in need of German money to settle accounts over there. That is the true exchange. So that what is frequently referred to as exchange is not really true exchange, but it is a matter of depreciation of the foreign money.

Senator REED. Exactly. Now, just one further question about that.

The fact about the matter is that if Germany's marks were all gold marks, then the rate of exchange would simply represent the cost of insurance and transportation to send that gold to this country, and that would be a very small thing, would it not?

Commissioner PAGE. Yes.

Senator REED. The real reason for this wide gap between the value of American dollars and German marks is found in the German printing press?

Commissioner PAGE. That is the chief reason, so long as the Germans have no gold to export. Even though their currency were on a gold basis in Germany, if they have not the gold to export, the exchange might still be, as it is commonly expressed, greatly against Germany. The exchange can be equalized either by the transfer of gold, or it can be equalized by the transport of commodities.

Senator REED. The German mark having gone down for the reason we have spoken of, the result is that prices have advanced as measured by the mark in Germany—very greatly advanced?

Commissioner PAGE. They have.

Senator REED. Would not this whole question be answered if you took the value of the goods in these various countries measured by that instead of by an American valuation of the goods? I mean by that, transmute values in marks into dollars. If, for instance, a mark is only worth 6 cents in our money to-day and a franc is worth 8 or 9 cents, and if you were to take the foreign market as the basis for your figuring and ascertain what the foreign price was, if it was paid for in money that was reduced to the equivalent of dollars, then the whole problem would be solved, would it not?

Commissioner PAGE. Except for the fact that the value of those foreign currencies has been subject to rather frequent fluctuations.

Senator REED. The American market is not stable either, is it?

Commissioner PAGE. No, sir.

Senator REED. Mr. Chairman, I suppose we will have to go to the Senate now.

Senator SIMMONS. I just want to ask one question, because I am afraid I did not make myself quite clear awhile ago.

You have stated that in your judgment the strong argument, the impelling argument, if there is one in favor of the American valuation, is the exchange situation.

Commissioner PAGE. Yes, Senator.

Senator SIMMONS. It is perfectly competent for this Government to proclaim a value upon foreign imports, is it not?

Commissioner PAGE. Yes, sir.

Senator SIMMONS. It is very easy to ascertain the highest price at which any given article sells for in any given country exporting to this country. That can be ascertained from the books in the custom-house?

Commissioner PAGE. It can, Senator.

Senator SIMMONS. It is an easy matter to find out what is the highest price. If that highest price were proclaimed by the Government, would you not avoid the exchange trouble and would you not at the same time avoid this difficulty that you are just talking about, growing out of the fact that under the American valuation the American producer can, by raising his price, affect in his own interest the amount of tax that will have to be paid upon the article?

Commissioner PAGE. If I understand your question correctly, Senator, that would be an arbitrary method of dealing with this situation.

Senator SIMMONS. And it would be based upon the highest price at which that article is imported into this country?

Commissioner PAGE. I should like to call your attention to this, that the purchasing power of these foreign currencies in the United States is a different thing from the purchasing power in those

countries, the countries of issue. The German mark in the United States is worth just a little more than one-half in its purchasing power of what the German mark is worth in Germany.

The CHAIRMAN. Under the schedule adopted and announced relating to these hearings and the consideration of the valuation matter particularly, the committee will now take a recess until half past 2 o'clock this afternoon, when a meeting until 5 o'clock will be held in this room.

(Whereupon, at 12 o'clock noon, the committee took a recess until 2.30 o'clock p. m.)

AFTER RECESS.

Senator McCUMBER. Mr. Page, will you resume the stand?

STATEMENT OF HON. THOMAS WALKER PAGE, CHAIRMAN UNITED STATES TARIFF COMMISSION—Continued.

Senator McCUMBER. I believe when we adjourned this morning you were about to discuss the matter from the standpoint of the objectors.

Commissioner PAGE. I would hardly use the expression "discuss" in connection with the remarks that I was making this morning. As you know, I am here merely to answer questions at the request of the committee, and I have no desire to enter upon a discussion of this matter any further than it is involved in the reply to specific questions which the committee might want to ask me or on which it might be possible for me to throw some light.

As the questions were rather miscellaneous this morning, I thought perhaps I would like to call your attention to the fact that the decision as to the adoption of this measure will depend, in large measure, upon the relative weight that you give to two considerations, one in favor of and the other antagonistic to this proposed change.

Senator McCUMBER. That is the American valuation?

Commissioner PAGE. I mentioned this morning what, in my judgment, appeared to be the chief advantage to be derived from this change. I may add this afternoon that the chief objection, so far as I have been able to get information relevant to this matter, lies in its difficulty of enforcement. It is entirely uncertain because almost an entirely untried method of assessing duties.

We are changing the basis on which duties are to be assessed, and it is humanly impossible to predict what the result of that change is going to be. All values are fluctuating, as is universally known both abroad and in this country. Heretofore we have devoted all our efforts to the ascertainment, for dutiable purposes, of foreign values.

Senator SMOOT. May I interrupt you at this point? Don't you think it is just as easy to find out the values in the United States, where we have all the machinery, as it is to find the valuations of goods in foreign countries?

Commissioner PAGE. In the case of the great staples of commerce, that is undoubtedly true.

Senator SMOOT. Ninety per cent of the goods manufactured in the United States are in that class?

Commissioner PAGE. I would not venture to estimate what proportion is manufactured in the United States, but it is practically a

matter of ease to get the value either in this country or abroad of the great staples of commerce.

Senator SMOOT. Those things as to which it is almost impossible to get the value abroad are the most difficult, or will be the most difficult, ones to secure the value of in the United States?

Commissioner PAGE. That is true up to a certain point, Senator, but there are many things that are imported into this country for the reason that they are not made in the United States, and there are no comparable goods.

This bill just passed by the House provides that the duty shall be assessed on the value of comparable and competitive goods of American origin. Many of our imports come, in large measure, for the reason that the domestic products are not quite comparable with—

Senator SMOOT. Well, the bill could be amended so as to take care of such items, could it not?

Commissioner PAGE. There is a provision for that.

The provision is that these goods shall be dutiable at their value in the United States. It is difficult to find out beforehand what their value is. The matter appears to be viewed by the customs officials with a great deal of trepidation. I have found no willing acquiescence in the proposition from any of the men who have been engaged in the administration of the tariff law; that is, the appraisers and the customs house officers. Their judgment in this matter certainly deserves some consideration when they represent it as being a matter of extreme difficulty and uncertainty.

We do not know just how American valuations compare with foreign valuations at the present time. It seems impossible to predict how they will compare with foreign valuations two or three years hence. That, of course, is in the hands of the gods.

We are changing the basis for the assessment of ad valorem duties at a time when international commerce is already almost in a condition of chaos.

Senator SMOOT. Have you any idea as to how we can meet the situation of the extreme difference in exchange? I mean, of course, other than by American valuation.

Commissioner PAGE. As I said this morning, Senator, that is the chief argument in favor of the proposition. I do not think it can be met in any way. I think this will be only a partial remedy for it, but there is no way on the face of the earth to meet the difference in rates of exchange until commerce itself becomes more stable. The only way to meet the difficulty is, so far as the welfare of this country permits, to encourage imports from other countries where the exchange is lowest, and in less degree from other countries. Of course, that would be done by retaining the present basis of valuation, but that is a consideration for Congress and not for the Tariff Commission.

Senator SMOOT. But you do not know of any better way to meet that situation than the American valuation?

Commissioner PAGE. I know of no better way. In fact, I will make it stronger than that by saying that I know of no way. This will not meet it, but it will ameliorate the inequalities. It will, however, fall short of meeting the situation.

Senator SMOOT. I was trying to see if you know of any other plan that would meet the situation so nearly as the American valuation plan?

Commissioner PAGE. Who was it that said when our own exchange was suffering that "the way to resume is to resume"? You can not meet this situation. You can not meet it until foreign countries resume.

Senator McLEAN. Do you know of any alternative that will work as well as the American valuation plan?

Commissioner PAGE. I have no way to suggest that would meet the situation at all. This will meet it to some slight extent.

Senator McLEAN. Well, do you know of any alternative method that will work as well as this?

Commissioner PAGE. I know of no other, and I feel qualified to say that there is no other. I think there is no other means of meeting this difficulty. This country can not escape the suffering that has come upon the world by reason of the Great War and its after effects. We may be able to physic our symptoms but not our trouble. We have to bear our part of the burden; that is inevitable.

Senator McLEAN. Yes; that is true.

Commissioner PAGE. We may be able to relieve the symptoms temporarily, and we may palliate some of the sufferings of our own people, but we have got to bear our part.

Senator SMOOT. Under the conditions existing in our own country and the world generally we have to do the best we can to protect our industries. The adoption of this American plan does not mean that the policy must necessarily be followed hereafter, so long as we are enacting tariff measures. If the world should go back to normal and the exchange should become normal in four or five years, all the Congress will have to do will be to go back to the old plan of imposing duties, if it is so desired.

Commissioner PAGE. There, of course, Senator, we are dealing with possibilities.

Senator SMOOT. Possibilities?

Commissioner PAGE. And with contingencies of unknown development in the future. It is not for any living human being to know what may be the most feasible method to do these things in the future.

Senator SMOOT. Have you any other disadvantages in your mind than the difficulty of enforcement?

Commissioner PAGE. None that I think of such importance as to make it necessary to mention them in connection with this one. This really includes practically all of them.

Of course, a great many objections have been raised to this proposal, largely through a misunderstanding of its nature. There is a widespread and popular impression that changing from a lower to a higher basis of valuation will necessarily mean the raising of the tariff. You know, of course, that that does not necessarily follow.

The trouble about this is that we are changing the basis of valuation and we do not know how the new basis compares with the old. We do not know how rates on this basis will compare with rates that are known upon the old basis.

There are some things which are selling in this country now at a price that is not higher than the price of comparable goods of foreign countries. There are other goods that are selling abroad at prices that are lower than the American prices. If you change the basis you will, of course, if you preserve the same level, raise the tariff.

But one of the difficulties involved, and one of the elements of uncertainty in this whole scheme, is the total inability of the Members of Congress, of the Tariff Commission, of the appraisers and customs officers, to give you precise, trustworthy, and accurate information as to the comparison of foreign with domestic prices, and when both domestic and foreign prices are fluctuating as rapidly as they have been in the recent past, and as rapidly as they are likely to do in the future, you are taking a step which is necessarily involved in great uncertainty.

Senator McCUMBER. Right on that one point, would you kindly explain how, under this bill, assuming that you have examined it, you would arrive at the American valuation of many products in the United States that are sold daily on the exchange, such as food, fruit products, cattle, hogs, hay, cotton, wheat, etc., which vary from day to day and from week to week. Have you thought of any method by which you would ascertain the prices? Would you have to take the number of weeks or months or days as a basis, or how would that be determined?

Commissioner PAGE. That would have to be worked out, Senator, by the appraisers. They would have to reach some workable regulation as to how they are to do this.

We have already sent some men to New York to make such investigation as is possible with regard to foreign prices of the imports that are now coming in, and when we have trustworthy information as to these foreign prices on these current imports, we, perhaps, can take up with the appraisers just how they are going to get the American wholesale prices of these goods, so that we can then apply their methods to find out what the American price is; and so, before your work is over, we hope to lay before you a comparison of foreign prices with American prices on certain typical lines of goods which will enable you to see what you are doing a little bit clearer, in changing this basis. That is, we want to compare the old basis with the new basis, but we can not do that until we know how the appraisers are going to get the valuation on these things coming in.

Senator McCUMBER. Suppose there should come into this country as an importation from South America a shipload of hides. You would then look over the exchange market and you would find that hides had gone up or down and that they had fluctuated day in and day out for a week or a month. Would your idea be to take an average of a certain length of time prior to the entry of this shipload of hides? How would you arrive at some basis?

Commissioner PAGE. The bill provides that the value shall be taken of American goods on the day of exportation of the foreign goods. You take the day on which the hides leave South America, and then the appraisers determine what comparable hides were selling for in the principal wholesale markets of the United States on that day. That is the provision in the bill.

Senator McCUMBER. That would take care of that proposition, then?

Commissioner PAGE. Yes.

Senator McLEAN. A great many of the agricultural products are specifically dutiable.

Senator SMOOT. Well, it is all right, then.

Commissioner PAGE. They would not be involved.

Take cattle, for instance. That would illustrate, I think, Senator McCumber's idea. Let us assume that the duty on cattle is an *ad valorem* duty, in part. Now, cattle come in from Mexico and from Canada, as you know. The cattle are sold in this country. When the Mexican cattle come in they are to be made dutiable at such and such a percentage of their value or, rather, of the value of comparable American cattle. It will be the duty of the appraiser to determine with what American cattle the Mexican cattle are comparable. They will not be dutiable, under this bill, on the value in Mexico; they will be dutiable on the value of comparable American property. Naturally, that puts a great deal of responsibility upon the appraiser; it also puts a great deal of power into his hands. It is inevitable that you must give him this power and that you must impose upon him this responsibility; but it is for the appraiser to determine with what American goods the foreign goods are comparable.

Senator SMOOT. That would be easy. There are quotations on that every day. You could compare it with the stock selling on the market at the same time.

Commissioner PAGE. I am merely mentioning that as indicative of the way in which it must be done, and not as an illustration of the difficulty attending it.

I might mention the importation of textiles. Take, for instance, dress goods from France, or worsteds from England.

The importation of worsteds from England will be dutiable in this country, not on the value in England, but on that of the comparable and competitive worsteds made in the United States. The appraisers must determine with what American worsteds these English worsteds are comparable, but it will be a matter of some difficulty to tell and will put on the appraiser a great deal of responsibility; it will also give to him a great deal of power. The appraiser will have the power to put upon these imported goods a higher or lower duty, by reason of the fact that he can determine with what American goods they are comparable.

The decision of the appraiser, I may say, may be appealed to the Board of General Appraisers; that is final.

Senator SMOOT. The same thing applies to-day, does it not?

Commissioner PAGE. Senator Smoot, I would like to repeat what I said this morning—I think I said it this morning; I know I have had it in mind—and that is that we can make this American valuation work in the United States if you give us time. We have made the foreign valuation work in the United States and, on the whole, and in the long run, it has worked satisfactorily. There have been cases of undervaluation; there have been difficulties in the way of it, but when you try to form in your mind a picture of the thing as a whole, I think few will deny it has worked. There is always a sort of twilight land of doubt about these imports. It will not be much narrowed by the American valuation.

Senator SMOOT. Nor broadened.

Commissioner PAGE. Nor broadened, but the main difficulty with this proposed scheme, I repeat, in my judgment, is that it will, for a considerable time, confuse the operation of your task; it will make it doubtful on the part of the business men what the duties are that will have to be paid; it will make for a condition where business will be done with some degree of uncertainty, and it will be speculative

for some time to come, and it will throw into the state of business, which is already upset and more or less chaotic, another element of doubt and uncertainty.

It would be, in many respects, better if an experiment of this kind—and it must still be looked upon as an experiment—could be tried out when conditions were more stable than they are at present. However, we express the hope—and it is a hope—that this American valuation plan may do something to relieve the trouble from foreign exchanges.

Senator SMOOT. If it were not for the serious conditions existing, we would not have to make this change.

Commissioner PAGE. Oh, many have thought of it for many, many years.

Senator GERRY. It is a chaotic condition to-day that makes the experiment necessary.

Commissioner PAGE. Yes. That was included in my statement.

Senator GERRY. Would it not be necessary for the Treasury Department to get out a list showing what commodities are comparable with others? Otherwise, the different appraisers might choose different commodities to compare with them.

Commissioner PAGE. It would be impossible, Senator Gerry, for the Treasury Department to get out a list of goods of American origin that are comparable with all possible imports to this country. The importer will be obliged to take his chance as to what American product the importer's goods will be compared with.

Senator GERRY. Different appraisers then might choose different commodities as comparable.

Commissioner PAGE. Different appraisers might then choose different commodities as comparable. In a case of that kind—

Senator GERRY. So that then you would have varying duties.

Commissioner PAGE. Either side might appeal to the Board of General Appraisers. It is inevitable that there will be a great deal of litigation, a great deal of friction, and a great deal of difficulty involved in a thing as radical as this is.

Senator GERRY. It goes to prove what you have been saying, that all this will cause delay.

Senator SMOOT. There has never been a change in any tariff, up or down, when that has not occurred.

Commissioner PAGE. It is a question of degree.

Senator GERRY. It will be to a greater degree in this case?

Commissioner PAGE. This will inject a greater degree of uncertainty until this thing has been determined by court decisions and by efforts of the Treasury Department to stabilize the new conditions.

Senator GERRY. In other words, it might take a couple of years?

Commissioner PAGE. I would not venture to predict how long it would take.

Senator McCUMBER. Has the Tariff Commission formulated any tables upon this new tariff bill showing the ad valorem rates under the present tariff as compared with what they would be under the American plan under this new tariff proposition?

Commissioner PAGE. We are making some tentative effort to do that now. We have some men in New York who are working on it. I hope to be able to send up a few more to make some comparison of that kind, but it has been impossible thus far to get any trustworthy information along that line.

Senator McCUMBER. Can you give us any information as to about how long it will be before we shall be able to get such comparative tables from the commission?

Commissioner PAGE. I should be afraid to name a date, Senator McCumber, because if I did so it would be almost equivalent to a promise, and I could scarcely provide that information by a certain day; but my hope has been that in the course of a few weeks we should have some information at least. However, that will not be as complete as we should like. It will be suggestive, if not determining.

Senator McCUMBER. You can easily see, Mr. Commissioner, that in fixing rates it is very essential to have information of that character before we know what rates to fix upon the several commodities.

Commissioner PAGE. Do you regard the information used by the Committee on Ways and Means as not being satisfactory for fixing rates?

Senator McCUMBER. I have looked in vain so far to find a foundation on which to work on the American valuation.

Senator SMOOT. Are you working in cooperation with the Treasury Department in this matter?

Commissioner PAGE. We are in communication with them.

Senator SMOOT. They are working along the same line, are they not?

Commissioner PAGE. We are attempting not to duplicate any work that they are doing, but to supplement what they are doing, and to make use of any information they may be able to collect.

Senator SMOOT. I knew that the Treasury Department was working along this line.

Commissioner PAGE. Yes; that is true.

Senator McCUMBER. Are there any other questions that the members of the committee desire to ask Mr. Page.

The committee is very much obliged to you, Mr. Commissioner.

We will now call upon Mr. Burgess, of the Tariff Commission.

STATEMENT OF HON. WILLIAM BURGESS, MEMBER UNITED STATES TARIFF COMMISSION.

Senator McCUMBER. Mr. Burgess, you were present while Mr. Page was giving his testimony and you were able to observe from that the line of information sought by the committee. The committee will be pleased if you will, in your own way, give it such information or throw such light as you may have on the subject of the American valuation.

Commissioner BURGESS. I shall be very glad to do so, Mr. Chairman.

Before discussing this matter and before giving my personal views, because, as Dr. Page has said, the commission has not acted as a commission in preparing any statement on which all are agreed, I would like to say that for the last 17 years I have been quite closely associated with customs matters in New York.

Some time before that I occupied the position of American consul in the Stratfordshire district of England, so that what I have to say is based largely upon first-hand information.

Senator GERRY. Did you occupy any official position in New York?

Commissioner BURGESS. No; not as a Government official. I represented some large industries in looking after the administration of the law, so far as it pertains to these industries.

Senator GERRY. What ones, may I ask?

Commissioner BURGESS. The china and pottery industries and the electrical industry.

To condense, as far as possible, what I have to say and not to occupy more of your time than is necessary, I have put my thought in writing so as to be able to speak directly to the point.

Changing of the base for assessing duties from the present system of wholesale foreign market value to that of the wholesale American value is somewhat radical. Difficulties at once present themselves, which, coming out of the clouds, appear like mountains, but when the mists have passed away and the subject is thought through, those mountains become as mole hills.

The advantages of the American valuation plan so far outweigh the difficulties as to make the latter seem insignificant.

The needs for such changes are, first, the loss of revenue to the Government through undervaluation; second, the loss to the American industries of adequate protection intended by Congress; third, the evident purpose and deliberate intent on the part of some foreign manufacturers to deceive our customs officers and investigators by the misstatement of facts. This practice is known to have been approved and assistance rendered to such manufacturers by certain foreign Governments in the effort to blind and mislead as to important facts bearing on the true foreign market values. As illustrative of this fact, I add to my remarks, but will not take your time in reading, part of an address made by the president of the German National Chamber of Commerce before that body at a meeting held in Berlin.

Further indication of interference with the collection of proper duties on the part of another foreign Government is indicated by an attempt to compel our Government to discontinue certain suits brought against some of their manufacturers and their American agents by threatening to withhold their Government appropriation for the Panama Exposition, and stating that such appropriation would not be made while these suits were pending, as they showed the unfriendly attitude of our Government toward them and their manufacturers.

It has been repeatedly stated that the Government records proved undervaluation does not exceed one-tenth of 1 per cent of the total imports. This statement, if true, simply goes to prove how inadequate are the means at the disposal of our Government to detect such undervaluations and collect proper duties thereon.

I would like to say, however, that that statement is not at all correct, taking last year's importations into account.

Senator Smoot this morning said something about there not being many undervaluations during the period of the war. That, perhaps, is true to an extent, because of the fact that the administration of the law was very lax at that time, as everyone realized and knew that foreign values were not stable and could not be secured. Then, the stress of circumstances, the decrease in the number of employees, and so on, made it impossible to do the work properly. But in the year 1920 I understand there were in the neighborhood of 600,000 invoice entries made. About 40 per cent of them were on the free

list. About 40 per cent of the remaining 60 per cent were specific duty goods. So that there were comparatively few invoices entered on an ad valorem duty. I have the figures here, 156,000 invoices, in round figures. There were 49,367 invoice advances made on entry by the importer or advanced after entry by the Government, showing that one-tenth of 1 per cent claim is an unfair statement.

Senator SIMMONS. What would be a fair statement? You say that one-tenth of 1 per cent is an unfair statement. What do you think would be a fair statement?

Commissioner BURGESS. According to these figures for 1920 it would seem to be about 25 per cent of the ad valorem invoice entries, the goods based upon ad valorem duties.

Senator SMOOT. And the specific duties are not in question.

Senator SIMMONS. You mean to say, then, do you, that one-fourth of the goods upon which ad valorem duties were imposed were undervalued?

Commissioner BURGESS. As the invoices came to this country. It is this way, Senator: When an invoice is advanced by the appraiser other importers will take notice of this advance, and will add to make the market value, so as to avoid the penalty and difficulty with the Government, so that the actual number of undervaluations is impossible to tell.

Senator SIMMONS. Do you mean to say that the importer would voluntarily increase the invoice price?

Commissioner BURGESS. Yes.

Senator SIMMONS. And raise it to a satisfactory price?

Commissioner BURGESS. Yes.

Senator SIMMONS. Eliminating these figures, or this increase, voluntarily made, what would be the per cent of valuation that would be in controversy?

Commissioner BURGESS. I have no data or means of giving an answer to that question.

Senator GERRY. When you said 25 per cent that was a surmise without any very definite information?

Commissioner BURGESS. No, sir. These figures are, I think, susceptible of proof. There were about 156,000 invoices based on an ad valorem rate of duty, out of which 49,367 invoices were either at the time of entry advanced or raised by the appraiser after entry.

The evasion of the payment of full taxes of any character is a matter of common knowledge; where the incentive exists, the practice of evasion is sure to follow. This is true regarding real estate taxes and personal taxes. Why is it, then, inconceivable that the foreign manufacturer or exporter, who has no interest in our Government, should go to the limit of undervaluation where the duty tax upon his product runs from 10 per cent to 60 per cent of its value?

Assessing duties upon foreign value is like taxing real estate where the collector happens to reside instead of where the property is located. It would be like a man in New York assessing and collecting taxes upon property in California. Inasmuch as the tax would be collected in New York, would it not be to the interest of, not only the owner, but the officials of the State of California, to report the assessment as low as possible?

That this is not merely a supposition, but an actual fact, I would like to refer the committee to an elaborate report made to the Secretary of the Treasury by a commission appointed to investigate the wholesale market value of French china made at Limoges in December, 1912.

Senator SIMMONS. We have had, from the very beginning, the matter of foreign valuation written into our tariff laws. Do you contend that these undervaluations are more flagrant now and more universal now than they have been in the past?

Commissioner BURGESS. No, sir, I do not; but I know from experience in the last 20 years that it has been a continual performance.

Senator SIMMONS. In that period we have framed two tariff bills. I do not recall now whether there was any suggestion of changing the traditional method of valuing imports. There was talk, just as there is always talk, about undervaluation, and suggestions of possible and probable remedies for that condition, but it was never contended that we should change the system and method of valuation because of these undervaluations in exceptional cases; and I am asking now whether the situation with reference to that is any different from what it was when we framed these other tariff bills. Is there anything in the present valuation of foreign imports that indicates that undervaluation is greater now or that it is resorted to to a greater extent or that valuations are lower in proportion to actual values now than heretofore.

Commissioner BURGESS. I do not think so, as far as actual undervaluations go, but on account of unsettled conditions the difficulty in securing the foreign market value is very much greater than it was.

Senator SIMMONS. On the contrary, is it not true that it has developed from your investigation and from the investigation we had with reference to dumping that foreign values are higher than they have ever been.

Commissioner BURGESS. That is true, but that is also true with all American products. They are very much higher than they were. In the case of German goods, for instance—

Senator SIMMONS. The foreign valuations, as developed from that investigation, are so high now that they have approximated American values?

Senator SMOOT. In some cases.

Senator SIMMONS. Yes.

Commissioner BURGESS. They are exceptional cases, I think—

Senator SIMMONS. In other words, I am trying to get you to the point of considering the question of whether there is not less reason in the actual conditions and practices of the day for finding and adopting some other method because of undervaluation. That seems to be the point you are raising, and has been the condition in the past, and at the time we adopted these other tariff measures.

Commissioner BURGESS. Confining the answer to that specific question, I should say the principal reason for making the change would be the difficulties of securing the foreign market value. You have spoken of the higher values abroad. It is true that Germany, for example, in certain lines of industry advanced her goods, the Government had a bill before the Reichstag to make the export values 150 per cent above the home market values, and then

she was going to tax the manufacturer 90 per cent of that 150 per cent as an excess-profits tax. That bill, however, did not become a law. It was defeated in the Reichstag. But manufacturers, anticipating that it would become a law, added that 150 per cent to their home market value and "put it over," to use the slang expression, with the American buyer. When the bill did not become a law, the German manufacturers, realizing how easy it was to get that 150 per cent, continued to extort and pocket that money, and are to-day, or were up to the time of the antidumping provision, reaping the benefits of that advance. The importer was simply paying the duty on the home market value, which is 60 per cent of the actual price he paid for the goods.

Speaking of the American valuation plan, Senator, I would like to call attention to the fact that it was proposed at the time of the formation of the Payne-Aldrich bill. A proposition was put to the committee at that time. You will find my statement in the House hearings of that date.

Senator SIMMONS. I was a member of the committee at that time, and while I will not say, of course, that you are not correct in your statement, I do say I do not think it was seriously considered.

Commissioner BURGESS. It was not seriously considered by the committee.

Senator SIMMONS. From my remembrance, anyhow.

Commissioner BURGESS. The only outcome of those deliberations was the introduction into the law of section 11 of that bill, providing as an alternative to foreign value, taking as value the American selling price, making deductions to bring it back to a foreign market price. I don't know whether you recall that provision or not, but that was the provision that Mr. Payne himself told me that he had thought out as the most that could be accomplished at that time.

Speaking of the difficulties, in 1912, I think the date was, Secretary McVeagh appointed an appraisement commission to go into the question of foreign valuations, or the assessing on a foreign basis, and I would like to refer the committee to that commission's report, if they want actual facts, in 1912. It goes into the subject very elaborately, covering over 1,100 typewritten pages, showing how the consular certificates were of little value; how the examination of the values of that country was largely a local matter, no actual appraisement upon the foreign market value and there was little knowledge of foreign market value; that foreign chamber of commerce reports were absolutely worthless, and that the knowledge of the examiner was based almost entirely upon the importer's invoice.

Senator SIMMONS. I was not here during the beginning of your testimony. I do not know what your business is.

Commissioner BURGESS. I am a member of the Tariff Commission.

Senator SIMMONS. I beg your pardon. I will not ask you the question I intended to ask.

Commissioner BURGESS. I am not speaking as a member of the Tariff Commission.

Senator SIMMONS. I will not ask you the question.

Senator GERRY. I would like to ask the witness a question. You spoke of representing certain industries in New York. How did you represent those industries?

Commissioner BURGESS. I watched the importations of—

Senator GERRY (interposing). I do not think you entirely understood me. Were you employed by certain industries?

Commissioner BURGESS. Yes, sir.

Senator GERRY. What, may I ask?

Commissioner BURGESS. The United States Potters' Association was the principal industry. That was my own business, and I gave my principal time to that.

Senator GERRY. And you were employed by them to watch the tariff situation?

Commissioner BURGESS. Yes, sir; I simply made that statement to show that I had first-hand knowledge.

Senator GERRY. Qualifying as an expert?

Commissioner BURGESS. Yes. The Government is losing large amounts of revenue from the fact that many manufacturers and groups of manufacturers feel that they are complying with the letter of our law if they can in any way establish a foreign-market value, regardless of the actual selling price or cost of production. Such manufacturers invoice their goods at or below the cost of production, and paying duty upon that low valuation reap enormous profits from the sales made in this country. There are foreign goods to-day coming into this market which, when sold on the American market, show a profit running from 100 to 300 per cent of their factory cost. One case I have in mind came under my notice within the year, showed a profit of 1,750 per cent, the actual goods costing 24 cents abroad. That was a retail sale, however, which made it larger than others. The goods sold at \$4.20 a dozen, and the foreign cost was 24 cents.

A striking illustration of the truth of that statement came to my notice recently when a group of manufacturers were selling at apparently a uniform price to and through their agents in the United States. An American buyer could not go into this foreign market and make any direct purchases from these manufacturers, but could only buy through their American representatives. All factories were not in that combination. An independent buyer made a direct purchase from one of these outside factories at what he believed to be the lowest wholesale price on that market, and placed a large contract on these terms. It was found later that that actual, bona fide wholesale transaction was made at a price 250 per cent above the invoice value of similar goods exported by that group of manufacturers. That importer, of course, found it impossible to compete with goods paying a duty based on so much lower value than this actual purchase price, and was compelled to cancel the order. It is since the first of January this matter occurred, so it is an up-to-date fact.

Senator SIMMONS. That was a case of gross undervaluation, was it not?

Commissioner BURGESS. This practice is continuing. That group are bringing their goods in at the low value. The reply sent me was that the high price at which the actual purchase was made was overvaluation.

Senator SIMMONS. Do you mean he paid a fictitious price?

Commissioner BURGESS. No. He paid the price he had to pay, the actual market value, but the duty to-day is being based and collected upon the low value.

Senator SIMMONS. Was it not rather strange that a transaction of that kind could occur without the facts being brought to the attention of the American appraisers?

Commissioner BURGESS. That matter was brought to the attention of the American appraisers.

Senator SIMMONS. What did they do about it?

Commissioner BURGESS. After several months' deliberation the department came to the conclusion that as all this special group of manufacturers were sending their goods over at the low price, that was therefore the wholesale market price in that country.

Senator SIMMONS. Do you think their conclusion was a valid and reasonable one?

Commissioner BURGESS. I personally did not feel that it was.

Senator SIMMONS. Do you not think that was a case where the appraisers were grossly negligent and indifferent to the interests of this country and in the enforcement of the laws of this country? The appraisers in that instance were as much to blame as the man who practiced the fraud.

Commissioner BURGESS. The facts speak for themselves, sir.

Senator SIMMONS. I think they do speak very powerfully against our appraiser's office, if that is true.

Commissioner BURGESS. I think that can all be substantiated by actual figures and names and dates, etc.

It is quite natural that opposition to this method should arise on the part of importing interests, especially some of those who feel that their property will be assessed at nearer its real value and taxes collected thereon.

You will hear such expressions as "The method is absolutely impracticable and unworkable," "It will ruin the importing interests of the country," "It is impossible to find comparable articles on which to base values," "Because the law requires that duties shall be assessed uniformly at all ports, it is impossible to find a chief market or markets."

Senator SIMMONS. You are talking now about the American valuation?

Commissioner BURGESS. Yes, sir. These are the objections.

Senator SIMMONS. Then you have finished your statement as to the objections to the present method of valuation?

Commissioner BURGESS. I have simply finished that part that refers to the reason that I feel that the American valuation should be put into law.

Senator SIMMONS. Then I understand you—and I am interrupting you now because I want to get this out before you discuss why you think the American valuation ought to be substituted—is the committee to understand that your fundamental objection to the present method of valuation is the abuse of undervaluation?

Commissioner BURGESS. That is one of them.

Senator SIMMONS. That is the only argument I have heard you make.

Commissioner BURGESS. It is one of them. There are other reasons.

Senator SIMMONS. You have other objections you will present against the present method of valuation?

Commissioner BURGESS. Yes; I expect to.

Senator SIMMONS. I wanted to know if that was all.

Commissioner BURGESS. No. The great objection, one of the chief objections, has already been brought out, the matter of exchanges, but we will come to that.

Senator SIMMONS. That will be brought out by some other witness, not by you?

Commissioner BURGESS. No; I will bring it out later. I was simply voicing some of the objections I have heard against the American valuation. Others were "It is impossible to find uniform and true values," "The Government employees have no knowledge of American values, and it would require a complete revision of their present fund of information."

Senator SMOOT. You are reciting now the objections that have been made to the American valuation?

Commissioner BURGESS. Yes, sir. "It would be revolutionary and disturbing methods that have been in existence for generations." It is quite true that it will arouse some employees of the Government to real activity in an effort to secure information as to real American values. It is true that all goods will have to be actually appraised, whereas comparatively few imported goods are now actually appraised.

It is true some goods are at present examined and the invoices checked up, but as to actual appraisement based on actual first-hand knowledge of foreign values, there is little or no such appraisement.

In the past and at present the actual practice is an easy job by simply, first, assuming the importation invoices to be correct and, second, if in doubt, comparing it with his fellow importer's invoice for the same class of goods from the same district. The actual carrying out of the spirit and letter of the present law would require an army of experts, clothed with such power as it is impossible to secure, to go through the world to find the actual foreign market values. With the exception of a few large staple industries, it is well known by all who have come in contact with the present method of assessing duties that valuations are very largely matters of guesswork, without any positive knowledge as to facts.

As to the advantages, the assessment of duties upon an American valuation is not a new idea in tariff legislation, but the carrying out in detail of this proposition has not been before gone into with a thoroughness as is being undertaken at this time.

The first tariff law of June 4, 1789, provided that duties shall be assessed upon "The value thereof at the time and place of importation."

This method of assessing duties has been advocated by many of our leading statesmen, running through our Nation's history.

May I enumerate some of the advantages?

First, assessing an ad valorem duty upon an American wholesale selling price will require a much lower rate of duty than when based upon foreign valuation. The people of our country, knowing nothing about the assessing of rates upon any commodity, always assume that that rate has been assessed and duty paid upon the price which they have paid for the goods in question.

Senator SIMMONS. Pardon me for interrupting you. You say that adopting the American valuation will call for much lower rates?

Commissioner BURGESS. Rates of duty.

Senator SIMMONS. Rates of duty. Now, I saw a statement in the papers that Mr. Fordney said the duties imposed in this bill were about those of the Payne-Aldrich bill. Can you give us any idea how much those rates will be increased, not the rates, but how much the tax will be increased by reason of this new method of valuation?

Commissioner BURGESS. It will depend entirely on the particular commodity, Senator Simmons. Some amounts of duty will be less than the Payne-Aldrich bill and a little more than the Underwood bill. Others will be higher than the Payne-Aldrich rates. But I believe that it was the intent, in a general way, to keep the rates as near to the Payne-Aldrich rates as possible, an equivalent rate.

Senator SIMMONS. You do not quite catch what I wanted. You said the duties would be lower or should be lower.

Commissioner BURGESS. The rates of duty.

Senator SIMMONS. The rates of duty should be lower if this new method is adopted. If the Payne-Aldrich rate was a proper rate, if the average of the Aldrich-Payne rate was a proper rate, how much lower do you think the rates of this tariff bill ought to be?

Commissioner BURGESS. In proportion to the—

Senator SIMMONS (interposing). Assuming that the Payne-Aldrich rates were as high as they ought to have been, and high enough for the present situation, how much lower do you think they ought to be made because of this new method?

Commissioner BURGESS. There are several elements that must be taken into consideration in that transposition of figures, based upon the American valuation. Take the foreign value of any article under the present system as 100 per cent, and if the duty on that article is 25 per cent and if the cost of bringing it to this country, with incidentals, profits, possibly, is 10 per cent, that would make the American selling price equal to 135 per cent; so that, instead of having 25 per cent on the foreign value, it would require 18.71 per cent to make the equivalent on the American basis.

Senator SIMMONS. To make the rates of the present law conform to the rates of the Payne-Aldrich law, the amount of the rates would have to be lower than the Payne-Aldrich rates. Can you give me any idea, speaking generally and approximately, how much lower they ought to be to equal in effect the Payne-Aldrich rates?

Commissioner BURGESS. Stripping the question of all incidental expenses and profits, and so on, in this country, the equivalent rate would be as follows: If the rate was 10 per cent on the present basis, it would be equal to 9.09 per cent on the American valuation; if it was 15 per cent on the present basis, it would be equal to 13.04; if it was 20, it would be 16.66; if it was 25, it would be 20; if it was 30, it would be 23.07; if it was 35, it would be 25.92; if it was 40, it would be 28.57; if it was 45, it would be 31.03; if it was 50, it would be 33.33; if it was 55, it would be 35.55; if it was 60, it would be 37.50; if it was 65, it would be 39.33.

Senator SIMMONS. You are dealing with one article?

Commissioner BURGESS. Any article. That is the equivalent American value rate as compared to the foreign value rate.

Senator SIMMONS. When we got the average of the Payne-Aldrich rate and found it was 18 per cent, we were dealing with the whole volume of all invoices, and it paid 18 per cent. Now, what would be the equivalent rate if we adopt this new method?

Commissioner BURGESS. It is impossible for anyone to answer that.

Senator SIMMONS. If you can tell now as to specific articles, why can you not tell it when we group all the articles and tell you what the rate is?

Commissioner BURGESS. Because we do not know in what proportion those various articles will be imported into this country, but the best estimate that I know shows about $18\frac{1}{2}$ or 19 per cent.

Senator SIMMONS. They were only 18 under the Payne-Aldrich bill, and you say they would be lower if we change the method of valuation that bill was based on?

Commissioner BURGESS. Let me see.

Senator SIMMONS. You said it ought to be lower.

Commissioner BURGESS. It is only about one-half of 1 per cent. It is $17\frac{1}{2}$, possibly, instead of 18. Was not the Payne-Aldrich bill $18\frac{1}{2}$?

Senator SIMMONS. It was something about 18.

Commissioner BURGESS. I think it was $18\frac{1}{2}$.

Senator SIMMONS. Then you tell the committee that the effect of the American valuations upon the tax rate would be only about 1 per cent?

Commissioner BURGESS. Practically the same rate.

Senator SMOOT. On all importations?

Senator SIMMONS. Yes; on all importations.

Commissioner BURGESS. On the total importations.

Senator SMOOT. Free list and all.

Senator McCUMBER. How could you tell that, Mr. Burgess, without knowing what the American valuations are?

Commissioner BURGESS. You can not tell it, sir. It is only a rough estimate made in the committee of the House.

Senator McCUMBER. If the American valuation was 100 per cent higher than the foreign valuation, then the reduction would be very much smaller, to get the same amount of tariff out of it with the same protection.

Commissioner BURGESS. Yes, the rate would be very much lower.

Senator McCUMBER. Very much lower?

Commissioner BURGESS. Yes, sir.

Senator McCUMBER. But, as I understand you, according to your statement, that would add about 1 per cent to the 18? Where it was 18, it would be 19?

Commissioner BURGESS. I think it is a little less. I think the estimated figures show a little less than the Payne-Aldrich law.

Senator SIMMONS. I understood that the estimated value showed that the rate would be about the same in this bill as in the Payne-Aldrich bill, but you say that the injection of the American valuation adds about 1 per cent. If that is 18 in the Payne-Aldrich bill, upon the present basis of valuation, the old basis of valuation, it would be 19 per cent under the new basis of valuation?

Commissioner BURGESS. It would, according to your statement, but I intended to correct that statement, because I am pretty sure the estimate made by the committee showed that it was from 1 per cent to half a per cent less than the Payne-Aldrich bill. They were so close together that it did not amount to very much, and could easily be thrown one way or the other when the actual figures were tabulated at the end of the fiscal year.

I was about to say that the people of our country, knowing nothing about the assessing of rates upon any commodity, always assume that that rate has been assessed and the duty paid on the price which they have paid for the goods in question, and this error has not always been corrected by campaign stump speakers. A person buying a suit of clothes at \$25 on which, let us say, the rate of duty is 50 per cent, immediately assumes that \$12.50 duty has been paid to the Government upon that suit of clothes. The fact, however, being that the duty was actually assessed on the cloth entering into that suit of clothes, which might possibly have been valued at \$5 and a duty paid of \$2.50.

Examinations made by me in the 22 different commodities, carrying duties under the old law from 45 to 60 per cent, showed that the amount of duty in no case was greater than 12 per cent of the retail price, but averaged between 9 and 10 per cent. Therefore, assessing the duty on the American wholesale selling price would be more in harmony than what the mass of people now believe to be true.

Senator SIMMONS. Let me ask you another question, going back to what we were discussing just now. This 18 per cent we were talking about, the average rate in the Payne-Aldrich bill, is the average of all importations, both on the free list and on the dutiable list?

Commissioner BURGESS: Yes, sir.

Senator SIMMONS. What would be the rate, calculated on the basis of dutiable invoices only?

Commissioner BURGESS. Assuming the figures that I gave before, that out of the total imports of last year 40 per cent of them were on the free list, then it would be that 18 per cent would have been collected on about 60 per cent of the total imports.

Senator SIMMONS. What would be the average on the dutiable imports, as distinguished from the average on the total imports?

Commissioner BURGESS. It would be, according to this figure, about 30 per cent.

Senator SIMMONS. About 30 per cent?

Commissioner BURGESS. Yes, sir.

Senator SIMMONS. To what extent would the new valuation increase that rate?

Commissioner BURGESS. That is based on the new valuation.

Senator SIMMONS. You mean you reached your conclusion on the basis of the new valuation?

Commissioner BURGESS. Yes, sir. That is the present rate, according to the House Committee.

Senator SIMMONS. What was the Payne-Aldrich rate? What would be the rate in the present bill, eliminating the new valuation as based upon calculations as to the dutiable imports?

Commissioner BURGESS. Based on the same year that I have taken this from, it would be practically the same, 30 per cent, 30 or 31.

Senator SIMMONS. Do you mean to say upon the rates in this bill, under the old valuation, the average of the dutiable imports would be the same as they would be with the new valuation?

Commissioner BURGESS. Based on the same imports, the same class of imports.

Senator SIMMONS. The same class of dutiable imports, I am talking about. You say under the Payne-Aldrich bill those dutiable imports would be about 30 per cent?

Commissioner BURGESS. About that, in round figures.

Senator SIMMONS. That is upon the old basis of valuation?

Commissioner BURGESS. Yes sir.

Senator SIMMONS. Now, if you change that to the American basis of valuation how will that affect those rates?

Commissioner BURGESS. The rates will be so much lower.

Senator SIMMONS. How much will that increase the rates?

Commissioner BURGESS. It ought not to increase them any, because the difference is calculated on the lower rates on the American valuation.

Senator SIMMONS. Then you mean to tell us now that the amount of tax that would be paid upon the dutiable imports of this country under this bill would be the same under the American valuation plan as they would be under the foreign valuation plan?

Commissioner BURGESS. Based on the same imports; but if there are more dutiable imports it would be different; if there were more imports of free goods it would be different again.

Senator SIMMONS. If practically the same dutiable imports should come in under this bill as came in under the Payne-Aldrich bill, the fact that you have changed the basis of valuation from the foreign to the domestic would not increase the amount of tax that the importer would have to pay the Federal Government?

Commissioner BURGESS. Based on the same figures, no.

Senator SIMMONS. I do not know what you mean by "the same figures."

Commissioner BURGESS. The same imports.

Senator SIMMONS. The same imports?

Commissioner BURGESS. Yes, sir.

Senator SIMMONS. The same rates of duty?

Commissioner BURGESS. Yes, sir.

Senator SIMMONS. Although the American valuation pays about 25 or 30 per cent higher than the foreign valuation, you say it does not increase the tax?

Commissioner BURGESS. Because the rates are that much lower.

Senator SIMMONS. Suppose they are not lower, but are the same?

Commissioner BURGESS. Oh, that is another proposition.

Senator SIMMONS. That is the first question I asked you. Take the present bill with the present rate, and assume that the dutiable imports will be the same, how much more will have to be paid by the importer under the American valuation plan than under the old foreign valuation plan?

Commissioner BURGESS. That is entirely a hypothetical question.

Senator SIMMONS. I know it is.

Commissioner BURGESS. It would be very much greater.

Senator SIMMONS. How much greater?

Commissioner BURGESS. Such an idea is not contemplated at all, to keep the same rates applied to the American valuation that are now applied to foreign valuation.

Senator SIMMONS. Everybody has admitted that the rates of this bill were practically the same as the rates in the Payne-Aldrich bill.

Commissioner BURGESS. The equivalent. They are not the same rates, but are equivalent. There is a difference between being the same rates and equivalent rates.

Senator SIMMONS. And the same average?

Commissioner BURGESS. Yes, sir; because it has been allowed for in the lower rate based on the American valuation. This morning a question came up about a certain commodity, 70 cents on a foreign valuation and 100 cents or a dollar on the American valuation. At the present time there would be a 50 per cent duty on the foreign valuation, which is 35 per cent, making the foreign article landed here cost \$1.05. Now, the Senator made the proposition, suppose you figure that on the American valuation, that would be 50 cents, you would be bringing your foreign product up to \$1.20 or 15 cents higher; but such a proposition is not contemplated at all. It would be preposterous to think of doing such a thing.

Senator SIMMONS. I am advised that it was admitted by the proponents of this bill in the House that the American valuation would average something like 50 per cent above the foreign valuation, and a cut of $3\frac{1}{2}$ per cent in the rates of duty would make about the same revenue. Do you think that admission was ill advised and did not reflect the truth?

Commissioner BURGESS. Will you please repeat that, Senator?

Senator SIMMONS. It was admitted by the proponents of the bill on the floor of the House that the American valuation would average about 50 per cent above par. Is that correct?

Commissioner BURGESS. I should say that that is reasonably within the limit.

Senator SIMMONS. A cut of $3\frac{1}{10}$ in the rate of duty would net about the same rate.

Commissioner BURGESS. Three and one-tenth?

Senator SIMMONS. Yes.

Commissioner BURGESS. No; I can not understand that at all.

Senator SIMMONS. You think that is not true?

Commissioner BURGESS. No. I do not understand those figures at all. I do not know what they mean.

Senator SIMMONS. I imagine they mean that if you reduce the rate by $3\frac{1}{10}$ under the American valuation it would yield about the same as under the rates that are proposed under the foreign valuation.

Senator SMOOT. Yes; but the average of the importations, free and dutiable, would never be 50 per cent. I have here for 1912 the average of free and dutiable goods under the Payne-Aldrich bill imported into the United States, 17.1 per cent; and the average rate of duty for the calendar year 1920 under the Underwood-Simmons bill was 6.38 per cent. The reason of the difference in the average is that under the Underwood bill there had been so many items put upon the free list and importations were so much larger on the free list, compared with the dutiable list, that it brings down the general average of importation, both of free and dutiable goods imported.

Senator SIMMONS. That was for what year?

Senator SMOOT. In 1912. In the Payne-Aldrich bill the average was 17.1 per cent, and the average for the calendar year 1920 was 6.38 per cent.

Senator SIMMONS. That was a different year when there were entirely different prices. Of course, the average would depend upon the prices. Take the Payne-Aldrich bill, Senator, and you will find that

the average rate of duty is entirely different from year to year, dependent upon the prices of the product.

Senator SMOOT. There is a little difference, but very little when you take the whole of it, and that comes from the fact that one year the importation of free goods was greater, and the next year the importation of dutiable goods was greater, and I am giving you now what you were discussing before, the average of the last year which we had under the Underwood bill and the last year that America had under the Payne-Aldrich bill, and there is that difference between the general average of all importations into this country.

Senator SIMMONS. The only way you would ever arrive at that proposition would be to ascertain what would have been the result if the Payne-Aldrich bill would have been applied to the dutiable products of 1920.

Senator SMOOT. Yes; but if that were the case the Payne-Aldrich rate of 17.1 per cent would be not much more than—speaking offhand, I would not say it exactly, because I have to figure it in my head—but under the Payne-Aldrich bill, if it had been in existence in 1920, the average of the rate would have been less than 10 per cent.

Senator SIMMONS. Less than 10 per cent. I understand upon the basis of present duties it is estimated that the rates in this bill would amount to an average of 18 per cent.

Commissioner BURGESS. Approximately, as far as the report shows.

Senator SIMMONS. Senator Smoot says under the basis of the Payne-Aldrich bill the average of 1920 would have been about 10 per cent.

Senator SMOOT. A little less than 10 per cent.

Senator SIMMONS. A little less than 10 per cent. Now, you have drafted a bill that this witness says will yield an average of about 18 per cent. That is 8 per cent higher than the rate in the Payne-Aldrich bill.

Senator SMOOT. No; you must have misunderstood me. On the importations as they came in under the Underwood bill—that is, with the free list the same as the Underwood bill and the dutiable list at the same rate as the Underwood bill, then they would be a little less than 10 per cent.

Senator McCUMBER. That is a mere matter of calculation, Senators. You will allow the witness now to proceed.

Commissioner BURGESS. Second, the possibility of securing actual dutiable valuation would be greatly decreased. Instead of having to deal with foreign manufacturers and agents, whose interest is to misrepresent and deceive and who usually refuse to give information of any value, the American manufacturer and wholesale dealer, in whose interest the Government desires the information, would be, not only willing, but anxious to furnish such information as the Government would require.

Senator SIMMONS. Mr. Chairman, I am compelled to go over to the Senate. When I leave there will be no member of the minority here.

Senator McCUMBER. We would like to run until 5 o'clock. There are two members of the commission here who have not testified, and another gentleman who wishes to file a brief. There is a call for other witnesses on another subject to-morrow, and we would like to get through as rapidly as possible.

Senator SIMMONS. I think, Mr. Chairman, that the minority would like especially to be present when the members of the Tariff Commission are examined, and there will be no one representing the minority after I leave. So I suggest that you take up some other witnesses and let the other members of the board come back tomorrow.

Senator McCUMBER. Can you not send over some other members of the minority, and let us finish with this witness?

Senator SIMMONS. I will try, and if I do not succeed in getting some other member of the minority, I wish my suggestion might be followed.

Senator McCUMBER. If you do not succeed, we will endeavor to comply with your request.

Commissioner BURGESS. In any event, the power to secure facts would be in the hands of our own officials; they could compel the attendance of all interested parties for the purpose of establishing true market values; they could punish for neglect to produce such evidence, or for perjured testimony. The whole legal process would be in the hands of our own Government.

Third, the Government would be free from all diplomatic entanglements and such embarrassments as have frequently arisen, as above illustrated, in the case of the French goods.

Fourth, although for the time being, it probably would be necessary to increase the appraising force in the United States, this would be somewhat offset by materially reducing the number of foreign investigators and the increased revenue.

Fifth, the Government would get a much larger revenue and would be in position to collect the revenue prescribed by Congress. Those who, through low valuations or gross undervaluation, are now reaping enormous profits out of our markets would at least be compelled to share these profits with the Government, and thus reduce the unjust competition between them and the responsible and honest importer and the domestic manufacturer.

Sixth, this method of assessing duty, when based upon a comparable and competitive American article, practically makes a specific duty applicable to all such goods no matter from what country they are exported. The article made in the Orient may be of much lower cost and market value in the country of production than similar goods made in England, but the duty being assessed upon the American article would make the same amount of duty to be assessed upon both the oriental and the English production. The present method discriminates against the highest-cost country and favors the lowest-cost country.

Seventh, the American manufacturer would have increased protection because the law would not be so easily evaded and would actually have the protection Congress intended he should have.

Eighth, assessing duty upon American valuation will not permit the American producer to unduly advance or pyramid his selling price. That seems to be one of the claims made by some who would favor it otherwise. It will be the very means of checking such advances. For example, if the selling cost of the foreign article, plus the expenses of landing, is \$80 and the American article is \$100 it is assumed that a duty of \$20 would be required to equalize the selling cost of the foreign article in America, or it would

require 20 per cent upon the American selling value. If the American producer determines to advance his price to \$125, the same rate of duty remaining would compel the foreigner to pay 20 per cent on the \$125 or \$25. This does not, however, change the foreign selling value of \$80. The foreigner could, therefore, sell his goods for \$105 against the American producer's price of \$125, and thus undersell him. It prevents and checks pyramiding.

Ninth, owing to the variation in exchange values of foreign currencies, assessing the duties upon these depreciated values gives advantage to the country whose currency shows the greatest depreciation. Assessing duty upon the American value, the currency of which is fixed and stable, is the only reasonable and feasible method of uniformly assessing duties as against all countries; and this is advocated by Secretary Hoover, who has made the statement that it is the only practical way of reaching the difficulty.

I want to call attention further to an advertisement of an importing house in New York—Thomas Young (Inc.), 42 White Street, New York City. He is not in favor of the American valuation, but he sums up the very interesting statement in these words. [Reading:]

We are not in favor of American valuation but we believe that it is workable and believe that it will be passed. We believe that antagonists of the bill should attack the rates. We believe this to be the vulnerable point in the bill.

In the body of the statement he says:

Much nonsense has appeared in the press regarding the American valuation plan (including reports of congressional debates and insistent correspondence from prominent merchants and others).

The great cry is that it is a "duty on a duty" and that especially in the case of imports which have no comparable competitive United States products it will result in a pyramid of prices.

This we deny.

It is also claimed that it will be impossible for an importer to make sales for future delivery against purchases because he can not determine the cost of the goods until actually landed and duty paid.

We deny the impossibility of sales.

We admit that costs will be difficult to determine but we charge that the same difficulty exists under the present law as foreign values fluctuate much the same as American values.

The plan is called unworkable.

In spite of some recent enactments of Congress, we are not inclined to think that the gentlemen who framed this provision would put forward an unworkable plan.

It is said that actual duties to be paid are tremendously increased over present payments.

This we affirm emphatically.

And then he goes on to illustrate how these rates are actually an increase over the former rates, and winds up with the quotation I read first.

I have nothing further, Mr. Chairman.

ADDRESS OF THE PRESIDENT OF THE GERMAN NATIONAL CHAMBER OF COMMERCE.

As a fact the United States is not dependent for its existence upon the collection of duties, and it can afford to allow the falling off of revenues in this direction for what they claim the general good. From this standpoint it is clear that in the administration of the tariff is concealed the power and purpose to make the entry of certain competing articles as difficult as possible, and to carry this out the United States Government agents resort to the meanest and smallest measures.

The first of these is the certification of the invoices by consular officers stationed in various districts of the Empire. Second, the investigations by customs officials as to the correctness of statements in the invoices which have not the force or effect

of an oath in the German Empire. Third, the reexamination in cases where there is reason to doubt values by agents of their Treasury Department; and, fourth, by the high penalties added for undervaluation. Naturally we all admit that an actual swindle is incorrect in any business transaction, but undervaluation should not be treated as such unless positively proved. However, no such elasticity is to be found in the minds of American customs officials, who treat undervaluation, as they call it, as fraudulent, and they at once apply the usual penalties. Our goods have been exported to England and the United States at lower prices than those for the home market, and there have been more or less low values for the States, and in some cases what would be there termed "fraud," and such are the conditions at the present time.

Market value, as defined under American law, is the wholesale price at the time of export, and our trouble lies in having two sets of prices, one for export and the other for home trade. We have to resort to a division of shipments under the so-called \$100 clause to keep our matters secret, save fees, and avoid control on that side.

Declarations in invoices compelling all sorts of statements as to how the goods were obtained, whether by purchase or otherwise, values in detail, and charges of every character are the crowning point in the prying curiosity practiced under the American customs laws.

These things all lead to abuses, and we are promised that the means of gaining information through American consuls and agents will be shut off. Our boards of trade are fully awake to the dangers that surround us, and in making every effort to close the doors against this abuse they are hoping for the whole support of the Government.

Experience has taught that the workings of a tariff have not fulfilled the purpose for which it was created, but, on the contrary, the information gained under this regulation concerning costs of production has been so defective that in many cases it has been misleading, because through the prudence of our officials we have taken care that investigations of this character shall throw little light upon the actual value of their consignments.

In many cases trouble has been avoided by having invoices consulted remote from districts in which the goods are manufactured, but we must follow up this whole question as to the right of consular and other officers to pry into our business for the sole purpose of keeping out our merchandise, and in this we are assured of the cordial support of our Government. Such treatment on the part of American officials and the cause for it is plain, and now that concessions must be made by the American Government, if we stand together firmly as a body aided and supported by our board of trade, we can bring about a change that will be of untold benefit to our American export trade.

Senator McCUMBER. I thank you very much. The committee will now be glad to hear Mr. McNabb, law officer of the Tariff Commission.

STATEMENT OF CHARLES E. McNABB, LAW OFFICER, UNITED STATES TARIFF COMMISSION.

Senator McCUMBER. Please give your name, position, etc.

Mr. McNABB. Charles E. McNabb, law officer, Tariff Commission.

Senator McCUMBER. Mr. McNabb, you have heard the testimony that has been given to-day on this subject, have you not?

Mr. McNABB. Yes, sir.

Senator McCUMBER. The committee are desirous of obtaining any points either for or against the American valuation, and will be glad to have your advice and such information as you are able to give us. You may proceed in your own way to give that.

Mr. McNABB. With an experience of 24 years in and out of the Government service in tariff matters, 10 years of which were under the Treasury Department, 8 years under the Department of Justice, and four years with the Tariff Commission, I took up the subject of American valuation as a substitute for the present system of appraisement of imported merchandise subject to duties ad valorem with the feeling that it would be difficult, if not impracticable, to make the

change. It became my official duty to go into the matter with considerable care. I tried to look at the dutiable basis from every side with a view to the reaching of a conclusion which would be absolutely unbiased.

There are reasons for the continuance of the present system which are strong and which are hard to overcome. If the proposition were to substitute an untried, unknown appraisement basis for a perfect system of determining value, it would be very easy to reach a conclusion. But the more one looks into this question and the greater one's knowledge growing out of the administration of the laws governing the collection of duties ad valorem, the more one realizes that the present system is very far from perfection.

In theory the appraising officers ascertain foreign market value; that is to say, the appraising officers report to the collector of customs the value at which merchandise of the kind undergoing appraisal is sold or freely offered for sale in wholesale quantities in the principal markets of the country of exportation at the time of exportation. In theory the importer, when he makes entry of his goods at the custom-house, knows what the foreign market value is. But the practice is different from the theory. On the one hand, foreign values are often unknown to appraising officers. On the other hand, importers repeatedly seek relief for undervaluation upon the plea that they did not know the foreign market values. All they know, as has again and again been said, is the price paid or agreed to be paid for their goods. They were ignorant, they say, of any change up or down in that price between the date of contract of purchase and the date of exportation of the goods, which might vary from a few days to months or even a year or more. The importer says, "I do not even know when I order my goods when the exportation date will be"—nor does he, nor can he. He may say, "Send me my goods as nearly as you can at such or such a time," or from time to time about such and such dates, say, one month or six months, or what not, if it is a continuing contract. But the exact date of exportation may depend upon the ability to get a vessel or to get space on a vessel; there may be delay in the sailing of the vessel, there may be other reasons, and it is the date of exportation which he is supposed to know. In the case of fluctuating values it is very important that the exact time be known.

In practice, what does he do? In the case of purchased goods he follows his invoice, which shows what he paid for his goods or what he contracted to pay for his goods. The importer is permitted by the law to add to or deduct from the invoice price such an amount as will express in his entry the wholesale market value at the time of exportation. But in order to add or deduct he must know of the change.

Under present practice—a practice which sprang up during the war—the importer confers with the examiners, who are the real appraising officers in practice, and the examiners help him to fix the values upon his goods.

Importers have said time and again—they have even come to the commission with the statement—"We are willing to pay duties whatever the rate may be, whatever the value may be, if we can only tell at the time we pay them what the duties will actually be."

It is certainly that they ask. They do not wish to sell their goods with a possibility of reappraisement at a higher value hanging over their heads, with penalties for undervaluation which run up to confiscation of the goods if they are available.

These are some of the things to consider as to goods that are purchased.

Now, as to merchandise obtained otherwise than by purchase, usually referred to as "consigned goods," the agent in the United States is supposed to know the foreign market value and the invoice is required by the law to state the foreign market value at the time of exportation. That is a different matter from what the purchaser has to do. The agent of the foreign owner for whose account the goods are sold in the United States is, therefore, in a position to know better what he will set down in his entry as the market value than the importer who purchases, whose invoice states what the goods cost. And the entrant of the goods obtained otherwise than by purchase is supposed to be better able than the importer of purchased goods to enter his goods at the real market value. But even he fails to get the correct value in many cases, and there is the same uncertainty as to what the value of the goods and the amount of duties will finally be.

So much as to goods that have foreign market values.

There is a large body of imports which have no foreign market value that is ascertainable by the appraising officers, or which have no selling price at all abroad. They are goods which are manufactured for shipment to the United States for further manufacture, such as essential oils made in France and sent over here as compounds to be used by agents in the manufacture of perfumery, simply by adding alcohol. What does the law say shall be done in such cases? That the appraising officers shall ascertain the cost of production abroad. Everyone knows that it is very difficult, well-nigh impossible, to get costs of production abroad.

Then, the act also says, "If you can not get costs of production abroad, take the selling price in the United States and work back by deduction of various items to a foreign market value."

Well, in many cases there is no selling price in the United States of the imported article, as, for example, in the case of indoxyl, the basis of indigo. So the only possible means of actually finding a value is to get the cost of production abroad, which in most, if not indeed substantially all, cases is impracticable of ascertainment.

You have heard already of objections to the present system, especially obtaining at the present time, such as the instability of exchange. Add to that the objections applicable at all times, such as the difficulties incident to reliance upon invoices, variance between foreign consumption values and export prices, and differences in cost of production in foreign countries, and you have reasons why the present system can not be called perfect.

Take one of those. I shall not dwell upon the others, but shall take just this one, and then go to another phase of the subject.

Take reliance upon invoices. Reliance upon invoices is something that can not be lost sight of in this matter by anyone who wishes to examine the question of the dutiable basis for goods subject to ad valorem duties in a way which will be most likely to enable the inquirer to reach a real conclusion. It is a simple matter to follow the invoice in reporting a value to the collector, and it is done in many, many cases, and it can be done at the pleasure of the appraising officers.

I am not saying that in disparagement of the men who do the appraisement, because they are men of ability, men who study values,

men who are well informed upon values, and men who work for the Government at salaries disproportionate to the character of the work which they do. With no intention of disparaging them I wish to repeat that with the invoice before him the appraising officer can return a value with very little delay and with very little mental effort and with no inquiry. I do not say he does it, because I know to the contrary that there are real appraisements and many real appraisements, and that there are real appraisements where the appraising officers can make them, but in cases under the present system where the appraising officers can not make real appraisements they naturally rely upon the invoices.

That leads to this point, that under the present system there is reliance upon foreign sources of value in determining the value upon which duties ad valorem shall be assessed.

What is it on the other side? What is to be gained, if anything, by a change to American valuation—that is, the wholesale selling price of goods in the United States?

It may be said, and probably will be said, to you that it means that all of the information, extensive though it be, already in the minds or possession of the appraising officers will be wasted. That does not follow, as we shall see later.

It is further said, or will be said, that the appraising officers will have to begin anew, even though they do not have to unlearn what they already know. They will have to begin anew in the sense that they will have to go out and ascertain the values in the United States. In answer to that it may be said that appraising officers now know many American values.

It may also be said that the appraising officers and the importers can not tell what goods produced in the United States are comparable and competitive with the imported articles. Perhaps the strongest point of all in that connection is that the importer will never know what value to set down in his entry. He has no invoice to guide him. What he paid for his goods will not help him. He must go out into the markets of the United States, figuratively speaking, and find out the best he can what the wholesale selling prices of the goods are after he decides, or guesses, if you please, as to what are comparable goods; and he must set down in his entry, at his peril, an amount which may be more or which may be less than the amount which the appraising officer will find to be the value for tariff purposes.

There is considerable truth in all that, for no one looking at this matter can say that you can substitute overnight such a new plan for a plan that has been in operation, with modifications from time to time, but not in principle, for a hundred years or so and expect it to be a complete and successful supercession at once.

This bill (H. R. 7456) takes that condition into consideration and contains a provision which will throw an added burden upon the appraising officers, but which will absolutely relieve the importer from any liability that is not incurred by fraud; and that is to be done in this way: Any importer can go to the appraiser and say, in effect, to him, "I do not know the value in the United States of these goods. Please advise me." This bill makes it the duty of the appraising officer to make an advisory appraisement which, if adopted and carried into the entry by the importer, will relieve the importer from all additional duties for undervaluation innocently made in error.

Mr. Chairman, we have in this bill a matter which should be considered independently of the merits of the main question, namely, whether or not American valuation is a better system of appraisement than foreign values. Why should not appraising officers help importers is the question. Why can we not have an immediate appraisement? Why can not an importer do by law under the American valuation system what he is doing in practice to-day—go to the appraiser and ascertain what the appraiser thinks is the value? Under the present law the importer takes the advice of the appraiser at his peril, for the appraiser, after having told the importer in good faith what he then knew or what he had reason to believe to be the market value, may find it necessary, when he actually appraises the goods in the performance of his duty, to raise the value, and the importer, who in good faith carried that advisory appraisement into his entry, may have to pay additional duties.

In this bill the Congress will say that when the entrant adopts the advisory appraisement in good faith he shall not have to pay additional duties in the event of there being an advance in the value upon reappraisement. If he commits fraud, he can be sent to the penitentiary or fined; but the innocent importer, the importer who is guiltless of fraud, can make his entry under this bill, if it should become a law, with perfect confidence that that is final in respect to additional duties.

He may have to pay increased duties; but, as I said in the beginning of my remarks, it is not the increased duties—by that I mean the regular duties as contradistinguished from additional duties for undervaluation—that frighten him and make him hesitate to sell his goods. It is the fear of penalties which may be incurred now and always have been possible under the system of ad valorem duties on foreign values.

Under this bill, whether or not the American valuation system be better as an appraisement basis than the foreign valuation of goods, the importer will know better than he now does what he will have to do and what he will have to pay in duties, and the important fact that he will know is that as long as he acts in good faith, adopts the advisory appraisement in good faith, with no intention to defraud the Government, with no suppression of material facts that the appraising officers ought to know—with nothing, in other words, that is fraudulent—he will know that the amount he sets down in his entry is final, so far as additional duties or penalties are concerned.

As to the comparability and competitiveness that we find in H. R. 7456, the purpose of this bill, as shown by its language, is to find a value for comparable and competitive products of the United States, if there are any, as the dutiable value, that is, the value upon which duties ad valorem are to be taken.

There may be and will be, undoubtedly, difficulties in determining what goods are comparable and competitive, especially to determine what goods are comparable. My own view is that, like the word “similar” which appears in our tariff laws and in other laws and which has repeatedly been interpreted in decisions by the United States courts and in decisions by State courts—

Senator SMOOT. Would you prefer to use the word “similar”?

Mr. McNABB. In the report of the Tariff Commission of last March entitled "Information Concerning American Valuation as the Basis of Assessing Duties Ad Valorem," the commission put down at the bottom of page 14 in the form of a footnote a number of proposed or alternative phrases. They are as follows:

"Of the same kind as the imported merchandise" or "of a kind comparable therewith in material, quality and use," or "made of similar materials, of similar quality, and of similar use," or "of the same or similar kind," or, following the last sentence of paragraph R of Section III of the tariff act of 1913, the present law, "such or similar merchandise comparable in value therewith."

It is a choice of terms. Any of them will probably have to have judicial interpretation.

Comparable and competitive were adopted as having some advantages over the word "similar." With the word "similar" you would also have identity or sameness. Goods may be comparable by being either of the same kind or by being of like or similar kind; and it was found that this phrase, "comparable and competitive," would answer the purpose in all probability better than any of the other terms.

But it is only a matter of phraseology, and a change can readily be made if it should be thought that some other expression would better suit the needs of this particular provision in the bill.

If you should use the word "similar," or the words "same and similar," or "such and similar," you will find that there have been a great many decisions upon the terms as used both in tariff and other laws.

If the Congress should see fit to adopt the American valuation it stands to reason that there must be judicial interpretation; and if 24 years' experience, upward of half of which was spent in active court work, briefing and arguing cases, some of which years were spent in helping in the framing of legislation, including the tariff act of 1909, will avail anything, I should venture the opinion that the Board of General Appraisers and the Court of Customs Appeals, and, if need be, the Supreme Court, can quickly let it be known for the guidance of the customs officers and the information of importers what those words, "comparable and competitive," mean, just as they have interpreted and do interpret other terms in the customs laws of the United States.

If the appraising officers shall find that there are no comparable and competitive products of the United States, they have a clear field without statutory restrictions for the determination of the value of the merchandise and for doing what has never been done in more than a hundred years of constitutional government. Under this bill, if it should become a law, they will appraise every importation into the United States. In other words, the appraising officers for the first time in our history will actually appraise; that is, find in every case a value for imported merchandise, and not do as they have frequently done under the present law—rely upon or follow the invoice value or price.

This bill says the appraising officers must by reasonable ways and means ascertain the value in the United States of comparable and competitive products sold in the open markets, and so on, and if such products can not be found or such value can not be ascertained to the satisfaction of the appraising officers, they must find the value for sale, whether or not there shall be an actual sale, for consumption

or use in the United States. They must, in other words, find a value; they must appraise every importation.

Instead of saying in the law that you must find value according to certain steps, such as first foreign market value, then the cost of production abroad, or what not, this bill says that in determining value for sale in the United States the appraiser may take into consideration all sources of value, including the selling price in the United States of goods that are not sold in wholesale quantities, or are not sold in the open markets; may take into consideration the cost of production in the United States; may take into consideration the foreign market value, if there be any, the cost of production, export price, or what not—all sources of value may be considered, to the end that the fair market value of the goods in the United States may be ascertained.

In the case of indoxyl, the manufacturer, by a simple process of manufacture, makes indigo out of indoxyl. The appraising officers can take the value of the indigo, after the indoxyl is made into indigo, and can work back to the value of the indoxyl.

Let us take a more familiar illustration—the essential oils used in making perfumery. Alcohol is added. The appraising officers can not find a market value for the essential oils or compounds, because they are not sold. They are made into perfumes for sale. The appraising officer can readily deduct the cost of labor and materials in making the perfumery, and in that way get at the value for sale in the United States; that is to say, the fair market value in the United States of the imported article.

And so it is with other things. Take the oriental rug that was spoken of this morning. The rug may be made by a family over in Persia. The parents and children may all work on it, and it may take them months or years using vegetable dyes to make a very valuable rug. There may be very few rugs in the world like it. It comes over here, and the appraising officers can determine value in a number of ways. The law does not say they must take the invoice price or the price paid, but the law says the invoice price may be taken. The appraiser may go out into the markets and find rugs, or a rug comparable with that rug, and may decide that the value of the comparable rug is the proper value. But he can always know the cost price. He can always find a value. He can always appraise.

So it is with every other kind of merchandise that can be imported. The appraiser would have to appraise and find a value that would represent the fair market value in the United States of those goods.

Senator SMOOT. Do you think you can conclude to-night?

Mr. McNABB. I shall conclude now if the committee would like me to.

Senator SMOOT. It is now 5 o'clock.

Senator McCUMBER. It is our regular adjourning time. If there are some other points that you care to present other than those you have already presented to the committee, Mr. McNabb, we can hold the matter open for you until to-morrow.

Mr. McNABB. It may be that some members of the committee would like to ask me some questions. I am at the service of the committee in any way that you desire.

Senator McCUMBER. Please be here in the morning, then, at 10.30 o'clock.

Mr. McNABB. Very well, Mr. Chairman.

Senator McCUMBER. The committee stands adjourned until 10.30 o'clock to-morrow morning.

(Whereupon, at 5 o'clock p. m., the committee adjourned until to-morrow, Tuesday, July 26, 1921, at 10.30 o'clock a. m.)

Tuesday, July 26, 1921.

The committee met pursuant to adjournment in the committee room, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, Dillingham, La Follette, Watson, McLean, and Gerry.

Present also: Hon. William S. Culbertson, member United States Tariff Commission, and John E. Walker, Esq., Chief of the Legislative Drafting Service of the Senate.

The CHAIRMAN. The committee will come to order.

Mr. Culbertson, a member of the Tariff Commission, is here.

Mr. Culbertson, you are aware of the fact that the committee heard very fully yesterday the views of certain individual members of the Tariff Commission, and, I assume, are rather fully informed as to the attitude of the commission individually. If you have anything in addition to state briefly, or if any member of the committee has any inquiry to address to you, this is a good opportunity.

Has any member of the committee any inquiry to address to Mr. Culbertson?

(No response.)

Then, Mr. Culbertson, will you proceed? It has been suggested to me as chairman that you might have something to say as to what your view is on the subject of valuation.

STATEMENT OF HON. WILLIAM S. CULBERTSON, MEMBER UNITED STATES TARIFF COMMISSION.

Commissioner CULBERTSON. Mr. Chairman, as you say, the matter has been quite fully discussed by the other men who have appeared before the committee representing the commission, and I therefore will not take the time of the committee in a restatement of information before you.

The CHAIRMAN. Mr. Culbertson, before you go on, in order to identify in the notes your status, how long have you been a member of the commission?

Commissioner CULBERTSON. I was one of the original appointees, Mr. Chairman.

The CHAIRMAN. How many years?

Commissioner CULBERTSON. I was appointed in April, 1917, and reappointed by President Harding in March, 1921. I am a resident of Kansas, living at Emporia, Kans.

The CHAIRMAN. What had been your occupation prior to assuming these duties?

Commissioner CULBERTSON. I am a lawyer by profession, Mr. Chairman. I was connected with the old tariff board under the Taft administration and worked particularly in connection with the textile schedules.

In 1915 I was appointed counsel on the Federal Trade Commission and was connected with the legal branch of that organization. I had a good deal to do with the problems of unfair competition which they were at that time working out. In 1917 I was appointed by the President to the Tariff Commission and have served on that commission ever since.

The CHAIRMAN. Will you proceed, please?

Senator LA FOLLETTE. You are the author of some works economic in character?

Commissioner CULBERTSON. Yes, Senator.

Senator LA FOLLETTE. State what books you have published.

Commissioner CULBERTSON. I published a book on the Economic Views of Alexander Hamilton, particularly studying his protective principles and analyzing his report on manufactures. That book was published by the Yale Press.

I have also published a book on Commercial Policy in Wartime and After, a book in which I have discussed the broader economic and political factors connected with our national life.

The CHAIRMAN. We only want to note this. We know that you are a man of experience and learning. Will you go on in your own way?

Commissioner CULBERTSON. The proposal to levy ad valorem duties on the American or home valuation has become important at the present time because of the very disturbed economic conditions in foreign countries, and I feel, personally, that it will tend to help meet the very unusual conditions which you are confronted with to-day.

It, however, should be said that it is not a panacea. It will not meet all the difficulties with which you are confronted on this question of tariff legislation. The object, I assume, in any tariff legislation is the equalizing of conditions of competition between the United States and foreign countries. Even under normal conditions that was a difficult thing to arrive at. Costs are difficult to find, both in the United States and particularly in foreign countries. That was difficult when all of these foreign countries were on a gold basis, when the unit of value was definite. Now, when these countries have gone onto a depreciated currency basis, when the Governments have resorted to all sorts of subsidies and restrictions on commerce and have interfered with the courses of trade to a very great extent, of course, the difficulty of determining the actual value outlay which a foreign manufacturer makes in producing a product is unusually great.

The unpegging of the exchanges, as it was called, in March, 1919, and the removal of the gold embargo in the United States added, of course, to the complications. The exchanges of these foreign countries went down precipitately, and this situation with which you are confronted to-day came upon us.

The question of prices abroad should be considered from two standpoints. There are certain stable commodities, such as copper and cotton and wool, which have a world price level, and they have more or less adjusted themselves to depreciation in the exchanges; that is, the gold basis price, as we have it in the United States, is reflected in a very much higher price in foreign countries where the currencies are greatly depreciated.

But the difficulty in competition does not come in that field. In fact, the duties, where there are duties on articles of that kind, are usually on a specific basis. The difficulty comes in certain of the smaller items. I have in mind articles like toys and cutlery and pottery and certain chemicals. The exchange value of foreign currencies we have, of course, in the reports each day from the Federal Reserve Board. They show a very low value for these foreign currencies. The mark is valued at about one and one-third cents, but the exchange value of these foreign currencies is a very different thing from what is known as the purchasing power parity of these foreign currencies. In other words, many of these currencies have a much higher value for the purpose of the payment of wages and the purchase of goods within these foreign countries than they have in the exchange quotations.

A mark, for example, in certain cases in Germany may have a value of 4, 5, or 6 cents for the purpose of the payment of wages or the purchase of goods within that country, and of course that has a very distinct effect upon international competition.

Senator WATSON. You mean by that that the mark is valued at a cent and a third only for export purposes, and that it has a higher valuation for domestic purposes, such as the payment of wages, etc.?

Commissioner CULBERTSON. It is not a deliberate attempt on the part of the German Government to fix it in that way, Senator, but government subsidies, government regulations and restrictions and the force of custom which still leads the mind of the German people to go back to the original value of the mark—all that has tended to hold up the value of the mark for internal purposes within that country.

Senator SMOOT. And there are certain commodities the prices of which are fixed by Germany?

Commissioner CULBERTSON. Yes, Senator.

Senator SMOOT. And that, too, gives the mark a greater value in Germany than the value of gold outside?

Commissioner CULBERTSON. Yes, sir.

Senator LA FOLLETTE. How does the fixing of the price of a commodity tend to hold up the value or increase the value of the mark in local circulation? Explain that, will you?

Commissioner CULBERTSON. It is not in the fixing of the price so much, Senator. Rents are fixed by the Government in Germany and are maintained at a very low level. Of course, that reduces the cost. Certain subsidies are given for railroad maintenance which help to maintain much lower transportation rates than would otherwise be possible. That tends in certain fields to maintain this higher level of value for the mark.

Senator SMOOT. And adds to the purchasing power of it.

Commissioner CULBERTSON. Yes.

Senator LA FOLLETTE. It has the same purchasing power in all transactions in Germany, has it not?

Commissioner CULBERTSON. Yes; but it does not have the same purchasing power for international exchange.

Senator LA FOLLETTE. Oh, I understand that.

Commissioner CULBERTSON. It does not have the same purchasing power for international exchange as for internal purchasing in Germany.

Senator LA FOLLETTE. Where is this information obtained which you are now giving us?

Commissioner CULBERTSON. It has been worked out by the commission's staff.

Senator LA FOLLETTE. From what sources did you obtain it?

Commissioner CULBERTSON. By studying the index numbers, so far as determining the purchasing power parity is concerned.

Senator LA FOLLETTE. To put my question in another way, has the Tariff Commission had any reports from its employees or agents abroad on this subject?

Commissioner CULBERTSON. Two of our men have just returned from Germany, Mr. Ernster and Mr. Weber.

Senator LA FOLLETTE. How recently?

Commissioner CULBERTSON. Mr. Ernster returned day before yesterday.

Senator LA FOLLETTE. Have they made a report as to the results of their investigation over there?

Commissioner CULBERTSON. Mr. Weber brought back a large quantity of very valuable wage data, and it is being compiled now and analyzed, just as I have indicated here, showing the actual purchasing value of the wages in marks. Of course, it is not very significant to say that a man gets 50 marks a day in Germany unless you know how much those 50 marks buy in actual consumable goods.

Senator LA FOLLETTE. Exactly; what the bread and butter value of the mark is.

Commissioner CULBERTSON. We are trying to determine that from those index numbers.

Senator LA FOLLETTE. How soon will those reports be accessible?

Commissioner CULBERTSON. The material is accessible to the committee immediately, Senator. In published form I should say it would be probably a month. I think the expert in charge of that field said the other day that he thought by the first week in August he would be able to submit the tables to the commission.

Senator LA FOLLETTE. Excuse me for diverting you from your remarks.

Senator WATSON. There has been no effort made by the German Government in that regard——

Commissioner CULBERTSON. I do not think there has been any effort except that I am advised that it is to the interest of the German Government to keep the mark on a low level.

Senator WATSON. Yes; there is no doubt about that. But things are not so chaotic in Germany that wages are paid in a mark of one value in one industry and of another value in another industry?

Commissioner CULBERTSON. No, Senator.

Senator WATSON. I suppose for wage purposes the mark is worth the same all over Germany in all the different industries. Would you not think so?

Commissioner CULBERTSON. Yes; that is correct. That situation places Germany at a disadvantage when she comes to buying raw materials in the United States or in other countries where the value level is higher. When she comes to purchase things like cotton and copper she is at a disadvantage in those industries in competing with industries in the United States; that is, by that much.

Senator SMOOT. But it is offset partially by the fact that when she exports goods to America, we will say, she gets her gold for the amount that she charges for her goods; and while that is a basis of $1\frac{1}{2}$ cents, that $1\frac{1}{2}$ cents will pay her employees equal to 4.65 per cent as reported by the greatest statistician in Germany.

Commissioner CULBERTSON. Of course, it will be a great advantage to her if she can purchase those raw materials in countries where the currency is more depreciated than it is in Germany.

Senator SMOOT. Certainly.

Commissioner CULBERTSON. So if she turns to Russia, for example, to purchase her raw materials, and purchases her raw materials there on the depreciated basis of the ruble, and then sells her goods in the American market, she of course makes a double gain.

It is in the smaller industries, however, where I think Germany will have a very decided advantage because of this exchange situation. Industries, like the toy industry—and I only use that as an example of quite a number of others—where she puts a good deal of labor into the fabrication of the goods and where the raw material is a relatively small item—in those cases she is bound to have for many years a very decided advantage arising from this peculiar condition with which we are confronted.

Senator DILLINGHAM. When you were interrupted you were going to give us some illustrations of the proposition you have advanced.

Commissioner CULBERTSON. I think those are a little further along in my notes, Senator.

As I said before, the American valuation is one of the means by which the bill seeks to meet this peculiar and unprecedented situation with which we are confronted, and, as I say, I believe it will assist very materially in meeting it, but it will not act as a panacea for this entire situation.

You have heard the administrative difficulties of American valuation discussed. They are real, but they are not insuperable. I think that a practical administration of it can be ultimately worked out.

For example, if for generations we had had in this country the American valuation and we were now about to change to the foreign valuation of our goods, I believe that more objections could be raised against the change from domestic to foreign valuation than can be raised against a change from foreign to domestic valuation.

Senator GERRY. You say it can be worked out. How long do you think it will take?

Commissioner CULBERTSON. I understand that the appraisers in New York are now working out the details of it. That, of course, is a highly technical matter, and no doubt the machinery will work with some friction for a while; but I should say that within a couple of months the customs officials would be ready to administer a law of this kind.

Senator GERRY. Do you think it would run smoothly as soon as that?

Commissioner CULBERTSON. It would not run as smoothly, of course, as the present system, because the present system has back of it years of decisions and traditions and experience and practice, and it would be some time before it would be functioning smoothly.

Senator GERRY. Necessarily would there not be very many appeals from the appraisers to the board?

Commissioner CULBERTSON. There are a great many to-day, Senator. I have no doubt that there would have to be a number of basic decisions by the Board of General Appraisers and the Court of Customs Appeals interpreting these phrases, like "comparable" and "competitive." That would be inevitable.

Senator GERRY. And comparing certain of the commodities with others, I suppose? That would have to be determined?

Commissioner CULBERTSON. Yes, Senator.

Senator GERRY. To determine what commodities are comparable with other commodities?

Commissioner CULBERTSON. Yes, sir. That is the very basic problem in American valuation, the question of comparability and what competes with another product.

Senator GERRY. And naturally that would take time, because it would have to wait until it went up on appeal, and there would be a number of those cases going up on appeal, would there not?

Commissioner CULBERTSON. The plan, of course, and the most effective way of putting through a law of this kind, would be to put a good deal of power into the hands of your appraiser and let him determine the question of comparability without a long series of appeals.

Senator LA FOLLETTE. You would make his decision final?

Senator GERRY. You might get appraisers disagreeing in different sections of the country, might you not?

Commissioner CULBERTSON. You might have that.

As to the question that you asked, Senator La Follette, it would be highly arbitrary and contrary to American tradition to have unappealable decisions, but I do not think it is unconstitutional. I think that is a phase of this law that ought to be considered.

Mr. McNabb, our customs lawyer, has given that matter a good deal of attention. Perhaps you would like to ask him some questions a little later on that particular phase.

Senator GERRY. You advocate no appeal from any of the appraisers?

Commissioner CULBERTSON. I should rather not be put in the position of advocating anything. I think it is a question which would have to be considered by the committee. I think it is constitutional, however, to make it that way.

The difficulty of administration and the revolutionary character of American valuation are illustrated by a number of things. It has been generally assumed that American valuation would establish a higher level of value than exists abroad. In fact, in figuring out the duties I am advised the Ways and Means Committee figured what would be a fair duty on a foreign valuation and then reduced that by a certain amount. In general that is a correct assumption. There are cases, however, where the foreign value is as high as or even higher than the American goods. I mention this to suggest the care with which you must proceed in fixing ad valorem duties on the American valuation.

Let me just give one or two examples, and I will draw them from the field of cotton textiles, because that is a very important industry in this country and one which is vitally concerned in this legislation.

The invoice price of Anderson gingham—they are gingham produced abroad—has been higher than the wholesale price of the nearest domestic gingham. The domestic gingham is not exactly the same fabric, but it might be considered as comparable with, and it certainly competes with, the Anderson gingham.

That illustrates, of course, the power which you place in the hands of your appraising officer in determining what is comparable and what competes with American goods.

Senator WATSON. Where are Anderson gingham made?

Commissioner CULBERTSON. In Scotland, Senator, I believe.

Another case is that of ply voiles. These voiles are imported into this country and compete with the American product. The foreign product might be considered to be comparable with and competing with certain voiles made by our industries here.

Senator LA FOLLETTE. Are the foreign ply voiles higher in cost price than ours?

Commissioner CULBERTSON. Yes, sir; the invoice value of them when sent to the United States would be higher than the price of the comparable American product.

Another case is transparent organdies. They are higher than the comparable and competitive organdies produced in the United States. It is largely because of certain quality, certain reputation, certain finish which it is perhaps rather difficult to define. It might be exactly the same structure, the same weave, the same size yarns, but still there is a certain feature about these organdies which cause their invoice price to be higher than the comparable and competitive product in the United States.

Senator WATSON. Are they higher because the cost of production is greater abroad than here? Are higher wages paid over there in that sort of industry than are paid here?

Commissioner CULBERTSON. I think it is more because of the reputation of the article, the basis on which it sells in the American market.

Senator McCUMBER. Do they have really better wearing qualities or dye qualities?

Commissioner CULBERTSON. It is perhaps more the appeal of the trade here, the desire of the trade to get that particular quality of fabric, that particular style—

Senator SMOOT. You have mentioned in your last word the important thing—style.

Commissioner CULBERTSON. Most of our Venetians—coat linings, you know—came from England before the war. The industry developed tremendously in the United States during the war, and we have now a very important Venetian industry.

Foreign Venetians are desired largely because of their silk-like finish. They have the same structure, the same weave, the same general characteristics, but because of their silk-like finish they are imported at a somewhat higher price, frequently, than the comparable and competitive American fabric.

I might continue these illustrations at length, but it is brought to your attention simply as a warning that in fixing duties you can not always assume that the American price is higher than the foreign price.

Senator LA FOLLETTE. How would you meet a situation of that sort?

Commissioner CULBERTSON. You will have to adjust your ad valorem duties, of course, to meet a situation of that kind.

Senator LA FOLLETTE. That is, you would have to have a complete list of all of the articles produced at a higher value in this country and meet that by special provisions? Is that it?

Commissioner CULBERTSON. You may recall the hundred samples of the old Tariff Board which you used in 1913 so effectively in the Senate debates?

Senator LA FOLLETTE. I do.

Commissioner CULBERTSON. We are taking samples similar to those and are endeavoring to work out comparable prices. We have men in New York, now, who are working on the general problem of the comparison between foreign and domestic values in order that this committee may have that detailed information upon which to base its decisions in cases of this kind.

In conclusion, Mr. Chairman, I would like to say this about legislation on American valuation. I hope that in considering American valuation it will be considered in connection with the whole tariff structure. It is a revolutionary step. It is probably a desirable step in view of the unsettled and very critical conditions with which we are confronted to-day; but I feel that in constructing any tariff law that as many of the rates as possible should be put on a specific basis. You should have as many rates as possible on a specific basis and go as far in that direction as you possibly can.

The CHAIRMAN. That is generally admitted.

Commissioner CULBERTSON. Yes. But there is also this corollary which must be kept in mind, and that is that when you do have specific rates you must be very careful about your classification, because the tendency is for these specific rates to bear very heavily upon the cheaper fabrics. You have to watch your classification problem all along the line for that reason.

I think if you do adopt American valuation, or even if you adopt foreign valuation finally, you should give very serious consideration to the question of proclaimed or fixed valuations. I mean by that to consider whether it would not be advisable to authorize some commission or some bureau to select certain fields within which values would be fixed and proclaimed for a certain period. You may select, for example, the field of chinaware, and within that field fix for a certain period of time the values upon which the ad valorem duties should be levied. We find proclaimed values or fixed official values in a number of other countries to-day. They are quite common in Latin American tariffs. They are worked out in the tariff of India. You get with the fixed or official valuation the combined advantages of the ad valorem duty and the specific duty, because during the period of the fixed value—say it were six months—the ad valorem duty is simply assessed upon a value fixed from the best knowledge which was available on that character of goods, and it operates, of course, as a specific duty. You do not have to pass on each invoice. You do not have the question of the valuation of the individual shipments, but you have the best judgment of an official body as to what the value level of that product is, and in that way you get the benefit of a specific duty and also the advantage which comes from the adjustment of values and of the application of the ad valorem duties.

Senator WATSON. You think it would work no economic injury to have fixed values even under the present chaotic conditions throughout the world, fixing it for six months or nine months?

Commissioner CULBERTSON. I think it places us in the hands of a body that would take care of sudden fluctuations in value and take care of them in a much effective way than could be done either by specific duties or by simply leaving it open for each shipment to be valued by itself.

Senator SMOOT. That would only apply, however, to a limited line of goods.

Commissioner CULBERTSON. Just to a limited line. You would have selected cases here and there. The commission mentioned that in its report on American valuation.

But in connection with American values I think you will also need to consider the question of countervailing duties. You have to-day, in the act that has come to you from the House, the old provision relating to countervailing duties to be assessed in the case of bounties and subsidies fixed by foreign Governments.

Senator WATSON. What is the page?

Commissioner CULBERTSON. Page 212 of the Senate print of the bill. That provides for countervailing duties to be assessed on any product which has benefited by a bounty or grant upon the exportation or production of any article abroad. That came into prominence at the time of the sugar bounties, out of which grew the famous Brussels sugar convention.

May I suggest that you consider the advisability of extending a provision of that kind to cover these governmental subsidies and other indirect and direct means by which Governments abroad are assisting industry and thereby placing their industries in a very favorable position to compete with American industries.

That leads me also to suggest that the antidumping statute be considered very carefully in connection with this whole scheme. In my judgment, the administration of an antidumping statute should be in the hands of a commission or bureau. I feel that the administration of an antidumping statute is not the function of the Treasury Department. Their task is largely a question of the administration of the law, the collecting of duties, while dumping raises an industrial problem.

The question is, What effect is competition having upon American industry? It is like the problem that you have placed in the hands of the Federal Trade Commission, the question of unfair competition. You have placed it in the hands of that commission in the case of domestic commerce. I think you ought to place it in the hands of a commission to handle cases of unfair competition in the importation of goods. Do not limit your definition of dumping, as you have already limited it in the law, to merely underselling, but give this commission or bureau full power to consider cases of unfair competition in importation.

The CHAIRMAN. Do you recommend to this committee that it should create a machinery that would follow the example of the Federal Trade Commission?

Commissioner CULBERTSON. So far as it is handling cases of unfair competition, Mr. Chairman.

The CHAIRMAN. I thought that had become a nightmare of the past in the early days.

Senator LA FOLLETTE. It has to the people who are unfairly competing.

The CHAIRMAN. They are extinguished.

Senator LA FOLLETTE. No; they are not extinguished, but they have a remembrance of the fact that they have been investigated by this commission.

Commissioner CULBERTSON. These unfair cases of competition abroad are illustrated by full line forcing, a very dangerous kind of unfair competition in the dye industry, for example; and if some administrative body had the power to recommend, upon complaint to the President, that this unfair practice is going on in the importation of goods, and that your law would then authorize the President to impose certain additional duties, or even prohibition, upon the importation of that character of goods, so long as that unfair practice continues, you would have an effective means, it seems to me, of meeting some of these very abnormal and unusual forms of unfair competition with which American industry is bound to be confronted during the next few years.

Senator SMOOT. It is a very much better plan than to try to impose embargoes upon certain lines of goods.

Commissioner CULBERTSON. Yes; I think if you would just reverse the situation, let your goods come in and stop them when unfairness appears, rather than stop everything and only allow exceptions to that general embargo, you will apply the American principle more effectively than in any other way.

Senator McCUMBER. If you should include in the law itself a provision to raise the tariff to equal any bonus paid by foreign governments or advantage given to governmental agencies, would not that meet the situation without creating a board or a bureau that was to determine what constituted an unfair practice or unfair trade relation? Some concerns might consider that anything that competed with their product was unfair.

Commissioner CULBERTSON. That would be a case where the penalty is probably not to be applied. A case of merely severe competition would not necessarily be a case coming under the law. I think the present dumping law, as far as it goes, is effective.

Senator McCUMBER. Do you not think it is sufficient, so far as it goes?

Commissioner CULBERTSON. Yes; it does not—

Senator McCUMBER. Is there anything now that it would not cover?

Commissioner CULBERTSON. I do not think it would cover full-line forcing. An American textile manufacturer, let us say, wants a particular dye. This particular dye is produced only in Germany. He goes to this German manufacturer and asks him to sell him a certain quantity of that dye. The German has a monopoly of it. This German manufacturer says, "I will sell you that dye if you will buy the rest of my line." The rest of his line is produced in America. The American textile manufacturer wants to buy it in the United States, but in order to get this absolutely essential dye he must buy the full line of German dyes; he must make a contract with this German manufacturer to buy his full line of dyes. That has been considered an unfair practice in domestic commerce.

Senator McCUMBER. Specifically, how would you meet it? How would this bureau of which you speak meet that situation?

Commissioner CULBERTSON. The most effective way would be to prohibit that foreign manufacturer from exporting into the United States at all until that practice ceased.

Senator LA FOLLETTE. But, alternatively, you propose that upon these facts being developed by investigation there should be lodged somewhere authority to increase the duty as a penalty against that practice?

Commissioner CULBERTSON. Yes; I think you must have lodged ~~somewhere~~ the power of investigation. You must give the injured American manufacturer some place to complain, some place to make his case. You must give some chance of hearing in a case of this kind.

Senator LA FOLLETTE. On both sides?

Commissioner CULBERTSON. On both sides.

Senator McLEAN. There is nothing in the machinery of this law as passed by the House that provides for that?

Commissioner CULBERTSON. Nothing whatever, Senator.

Senator LA FOLLETTE. You spoke, Mr. Culbertson, of this plan of valuation embodied in this bill as being revolutionary and an experiment at best, as I understood you. You regard it as defensible because of the conditions existing in Europe?

Commissioner CULBERTSON. I think it is worth trying, Senator.

Senator LA FOLLETTE. Do you care to express an opinion as to the soundness of the scheme and the practical success of its operation?

Commissioner CULBERTSON. We have nothing to guide us in that field. No foreign countries have adopted a measure similar to this. In a number of countries they assess duties on what they call a landed value; that is, the c. i. f. value at the port of importation. But in this law you go to the extent of assessing the values on the basis of goods in the principal markets of the United States.

Senator LA FOLLETTE. And on goods that are as nearly comparable as possible?

Commissioner CULBERTSON. Yes, and competitive.

Senator LA FOLLETTE. There you have a wide field and almost unlimited opportunity for differences of judgment.

Commissioner CULBERTSON. When you do not have comparable and competitive goods you have a very much larger problem. Of course, the present system, Senator, has been very much idealized. The present system is largely an accepting of the foreign invoice values which are presented to the appraiser.

Senator LA FOLLETTE. Would it not be a simpler problem to set up some means of ascertaining the true value of the imported article on the other side and maintaining there some official machinery which could administer that?

Commissioner CULBERTSON. I am a believer in the principle of proclaiming the official valuation within certain fields. If you put as many specific duties on as you can and then select another field for proclaimed and official values, you would have the field fairly well covered. The official valuation could be fixed either on the domestic value or on the foreign value. Of course, some organization, commission, or bureau would have to have charge of fixing those official valuations. They could maintain some machinery, some experts who would go abroad and determine what the actual value of those goods were in foreign markets and then proclaim those values for a period of time. That would be entirely practicable.

Senator WATSON. For the first 10 years of our history we followed the principle of domestic valuation. Was there anything in the precedent that would be of any value at all in the present case?

Commissioner CULBERTSON. What has been referred to as domestic valuations is our early history is not the same thing that you have in this bill.

Senator WATSON. Not quite, and yet the principle is very largely the same, is it not?

Commissioner CULBERTSON. I think the administration of it might involve much the same problem, although in most of our earlier procedure I think I am correct in saying that the invoice was the basis of valuation. In this bill you get away from the foreign invoice entirely as the basis of fixing values. The experience in our early history was not long enough, I should think, to warrant conclusions.

Senator SMOOT. No; and conditions were entirely different, too.

Senator McCUMBER. Mr. Culbertson, have you considered the question of danger of combination of American manufacturers in holding up their prices at a high rate in order to obtain a high tariff or by combination increasing the selling price of their products to enhance the amount of tariff?

Commissioner CULBERTSON. I have thought of that as a possibility. I do not see any very great danger in it now. The wool-growers have complained that since their only market is the domestic manufacturer, the fixing of that maximum 35 per cent duty in this bill would put them more or less at the mercy of the domestic manufacturer. I express no opinion upon that; I simply pass it on as another case of what I believe you have in mind.

Senator McCUMBER. Of course, we all admit that we are not in a normal condition; that prices of all kinds are abnormally high. In adopting this new system can you see no dangers of maintaining a standard of cost so high that the average earning capacity of the American people will not enable them to purchase the products?

Commissioner CULBERTSON. I can see that the change of the basis of assessing ad valorem duties would affect the operation of the forces which are determining the questions of price.

Senator McLEAN. The foreign competition will prevent pyramiding here, will it not?

Commissioner CULBERTSON. Yes; I think it will.

Senator WATSON. Except as to the jobber and the retailer.

Senator McLEAN. You can not very well get at them.

Senator McCUMBER. Then, on the whole, Mr. Culbertson, you think there is no danger in either of those lines?

Commissioner CULBERTSON. I do not believe there is, Senator.

Senator SMOOT. Mr. Culbertson, let me ask you if you have thought of any other plan that would better meet the conditions existing in foreign lands as affecting the exchange values than this American plan? Can you suggest to the committee any plan that would reach the situation as well or as nearly so as the proposition of the American valuation?

Commissioner CULBERTSON. In so far as duties are to be assessed on the ad valorem basis, I do not know of any better plan. One real reason is that the gold basis in foreign currencies is gone. The usual measures of values are uncertain and fluctuating, and I do feel that this is in part a mode of escape.

Senator SMOOT. And no ad valorem duty that we would place upon the importation of goods into the United States coming from Germany, where she is to be paid in a gold market at $1\frac{3}{4}$ cents, and when she receives that pay she can purchase labor to make the very goods that are imported into this country at least three times the amount, would meet that situation, would it?

Commissioner CULBERTSON. It is very difficult, Senator; and remember that even a duty levied upon the American valuation only helps correct the difficulty.

The CHAIRMAN. Are you through, Mr. Culbertson?

Commissioner CULBERTSON. I am, Mr. Chairman.

The CHAIRMAN. Has the committee any desire to interrogate the witness any further?

Senator LA FOLLETTE. Suppose we should want to recall any of the witnesses?

The CHAIRMAN. You can recall any of them. I have no doubt that they will be glad to return at any time.

Mr. Charles E. McNabb, representing in a legal capacity the activities of the Tariff Commission, now desires to finish the statement which he began yesterday.

STATEMENT OF CHARLES E. McNABB, LAW OFFICER, UNITED STATES TARIFF COMMISSION—Resumed.

Mr. McNABB. Mr. Chairman, at the close of yesterday's hearing Senator McLean inquired about the possibility of a duty upon duties. That is not a menace at all.

Senator WATSON. The possibility of what?

Mr. McNABB. A duty upon duties.

Senator SMOOT. I will say to the Senator from Indiana that that question was raised by the Senator from North Carolina, Mr. Simmons, claiming that under the American plan it would result in paying a duty upon duties.

Mr. McNABB. In the first place, the appraising officers will fix values upon comparable and competitive domestic products if there are any sold in the open markets. Those products do not carry duties. Consequently, any duties paid upon imported merchandise on the value of domestic products would necessarily not be the payment of duty upon duties.

To be sure in instances where the foreign selling price of an imported article is substantially equal to the American selling price of a competing article, the imported article could not, without loss, be sold for less than the foreign selling price plus the duty, and expenses, and in such event the American selling price might be raised to the same level, so that on a subsequent importation, duty would in effect be laid on the prior American selling price plus expenses and the former duty paid. This rule would not hold with respect to articles of lower foreign selling price than the price of competing American articles.

Senator WALSH. Would it not be possible for producers to get into collusion and fix values?

Mr. McNABB. I am coming to that in a moment, Senator Walsh. That is a matter which I wish to take up immediately after this.

In the instances supposed, however, duties upon duties would not be imposed, according to the terms of section 402, at page 233 of H. R. 7456,

whenever in the judgment of the appraising officers the inclusion of duties in the appraised value would not make a fair market value which is required by the terms of this bill to be the appraised value. For instance, if the price paid abroad for the imported merchandise with duties added, with profits in the United States added, and with expenses of sale added, would amount to more than the fair market value of such merchandise in the United States, the appraising officers are expressly given the power not to include, but to exclude, the duties. If, on the other hand, the goods are bought at a price abroad which with duties and profits and commission, if any, and expenses of sale added would still make the value less than the fair market value in the United States, the appraising officers have authority to include the duties.

In any event, if duties were always included it would not be such a pyramiding as I understood Senator Simmons yesterday to have in mind, because the selling price abroad would in all probability tend to remain stable. It would not increase with each importation. The tendency would hardly be toward any considerable increase in American values—certainly not in cases of great difference between foreign and American prices. Thus a duty of 10 per cent on \$1 would not advance the dutiable value when the selling price abroad remained at, say, the equivalent of 50 cents. So that on the whole the duties would affect the value in the United States in a relatively small way. It all would be largely governed by competition.

Now, as to the matter that Senator McCumber and Senator Walsh and other Senators spoke of yesterday. The matter of manipulating prices, of domestic manufacturers getting together and raising prices, or, if you please, of importers getting together and lowering prices, is covered by the terms of section 402, at page 232 of H. R. 7456.

Senator WALSH. Will you read that into the record, please?

Mr. McNABB. I am reading from line 9, page 233:

No pretended sale or offer for sale, and no sale or offer for sale tending to establish a fictitious market, shall be held to establish value as herein defined; nor shall a value substantially raised or lowered at the time of exportation otherwise than in the ordinary course of trade be deemed to be such value.

Senator McCUMBER. That would cover the case of a combination to raise prices after the goods had been exported. But suppose independent of the matter of the date of exportation a few of our American monopolies would get together and fix the price of their product at a very much higher rate. How is that covered in that section?

Mr. McNABB. Senator, it is the date of exportation that will govern. Anything done subsequent to the date of exportation would be outside of this provision.

Senator McCUMBER. Well, suppose it was subsequent to this exportation, then, and still other exportations would come into this country. What have you there to meet a case of combination to fix prices? It will not affect anything that is already shipped, according to that section which you have just read, but how about the things that come in afterwards?

Senator McLEAN. If the tariff were not imposed the exported would have an immediate advantage if a combination here raised

prices, and they could not be raised unless they imposed the tariff at the same time.

Senator McCUMBER. Suppose they did this: Suppose they raised the price in this country and thereby imposed a higher duty and the foreigner would still raise his prices a little so as to just be able to sell in this country. How are we protected against that double combination? As stated by one of the witnesses yesterday, it is quite a common practice for the exporters from a foreign country to the United States to raise their prices to just such an extent that they can enter the field in competition with the American price, even though they make enormous profits by doing so; and there is one of the dangers, I think, that a great many feel is the real danger.

Mr. McNABB. And that is done under the present system of appraising, Senator McCumber.

Senator McCUMBER. Certainly.

Mr. McNABB. There are ways to meet that, assuming that it would be done at such time and in such way as would not bring the merchandise within the provisions that I have just read. There are ways within the bill, and without the bill, for meeting such difficulties. One possible way, if the Congress saw fit to do it, would be to give the appraising officers the power to ascertain the value as of the time of the contract of purchase of the goods, which might antedate the exportation and the subsequent importation by months or even a year or more. Some thought was given to that, and it was put in a report submitted by the Tariff Commission to the Committee on Ways and Means. The date of purchase of the goods is not known generally. The American importer and the foreign exporter know the date of the contract, which might be a continuing one running for a term of years. The American producers, on the one hand, and the American importers, other than the one who is a party to the contract, would know nothing of this particular order for the goods. But one objection to that is the uncertainty of the date of the contract. It seems to me that there would be few cases which would not be met by one of these provisions, and if there were such cases that could not be met by competition of commerce, then it seems to me that a broad power, perhaps such as indicated by Mr. Culbertson, might be invoked.

Senator McCUMBER. Don't you think, Mr. McNabb, that the law or rule or provision will work just as freely in this country if we adopt the American valuation plan as it has worked in the past when we adopted the foreign selling price?

Mr. McNABB. I think, Senator McCumber, it will work more freely, and one reason is this, that the American producers must make known their selling prices; those selling prices will have to be ascertained by the appraising officers.

Senator WALSH. Would not that very fact tend to collusion—the fact that they have to make that known?

Mr. McNABB. Well, it must be collusion of such nature as will not bring them within this provision and within the provisions of existing law, such as the Federal Trade Commission act, because the domestic manufacturers, the domestic producers, are amenable to the law on the statute books, and foreigners are not, so that, Senator Walsh, if that were done to-day under existing law in unfair competition the Federal Trade Commission would have jurisdiction.

Senator WALSH. If they could prove it.

Mr. McNABB. Yes; if they could prove it. Of course, it would have to be a matter of proof, and it could be proved, it seems to me. It could be proved, whether or not the basis of duties *ad valorem* shall be changed, because it is all within the borders of the United States, and consequently within the jurisdiction of the Federal Trade Commission.

But, coming back to Senator McCumber's question, the American prices will be known. The wholesale selling prices will be available and the books will be open, because the appraising officers are given power not only to seek foreign values but to seek the source of values in the United States, including the cost of production. The books of every American producer must be opened at the call of the appraising officers of the United States if this bill goes through.

Senator WALSH. That is interference on the part of the Government.

Senator LA FOLLETTE. That is more business than Government.

Mr. McNABB. They are open to the Federal Trade Commission to-day. It is only a matter of giving the appraising officers information for the purposes of the tariff. It is rather a limited jurisdiction because their inquiries would relate only to trade prices for duties *ad valorem*.

Senator WALSH. Of course, they ought to be given such information in order to collect tax data.

Mr. McNABB. Does that answer your question, Senator McCumber?

Senator McCUMBER. I think so.

Mr. McNABB. I am not taking the committee's time to go into various aspects of these matters. I am trying to confine myself to one answer to each question because I know the committee is in a hurry to proceed.

Now, another matter which was developed in a sense, but not developed in another sense, on yesterday, is the matter of expedition in getting imported goods under the American valuation plan.

We saw on yesterday that the importer may go to the appraiser and have an advisory appraisement made. That can be quickly done. Provision is made for appraisement upon verified samples in advance of the actual arrival of the goods. If the verified samples are not available, then as soon as the goods arrive this advisory appraisement provision will apply; until the advisory appraisement shall be made there would be no entry of the goods.

Under the present law and practice, the first thing the importer does is to rush the entry into the customhouse and to proceed, as well as he can, to expedite the examination and appraisement of the goods and the collecting of the duties.

But under this plan he would be told by officers of the Treasury Department, by Government officers, what those officers deemed to be the value in the United States, and those values would be expressed in money of the United States.

I wish to stress this. Under the present law and practice the appraising officer returns the value, the foreign market value, in the currency of the foreign country, or the currency that is actually paid for the goods if it should happen not to be the currency of the country of exportation. His return is always made in the foreign money. At this time the importer will not be certain of the amount. In any event he must rely upon his own calculations or such figures as he

may get. He can not be certain of what the value expressed in money of the United States will be until the matter has passed from the appraiser to the collector and the collector has converted the foreign currency into currency of the United States.

There will be no delay of that kind under H. R. 7456. It may be said that it is inconsequential because the importer is in a position to know what the conversion value of the currency is, but there is some delay which would not attach under the American valuation system that would require everybody, including the appraising officers, to express the value in money of the United States.

Another thing that would occur is this: In the appraisement there would be a value fixed upon the goods which would stand in the nature of a proclaimed or official valuation without the great defect of the ordinary conception of the official or proclaimed value. This value would stand until the appraising officers changed it. It might stand for weeks or months, according to the state of the market.

It would have this advantage, which the existing system does not have: The importer would have the American right to a day in court upon his particular importation. It stands to reason that no American will ever be satisfied with a statement that duties ad valorem have been taken on his particular importation, the only one in which he is interested, on a value which is higher than that at the time of the exportation of his goods, because the law says the value during the entire period—three months or whatever term may be fixed in the law—is the official value for all duties on that particular kind of goods.

There is another point to be considered. Under the American system, as under the present practice, there would be uniformity of values throughout the United States. That question was presented here this morning. Senator Gerry asked the question. It would be more so, if anything, under the American valuation plan.

There is a bureau in New York at the head of which are two of the ablest men in the customs service. It is their duty, with the aid of their assistants—able men—to have these values made known generally. They are published. They are watched. I mean that the appraisements are watched. And not only are the appraisements watched, but the classifications as well—that is to say, the determination of the rates and amounts of duty—so that they can not bring goods in at one port and have them passed there at a valuation or classification different from that of another port. So there would be absolute uniformity under the American plan.

Senator WATSON. Of course, the findings of the New York appraisers are in no wise binding upon others. I suppose, however, that they are accepted because of the great volume of business done there and the well known ability of the men.

Senator McLEAN. They are all appealable to the Board of Appraisers.

Senator WATSON. Yes; but in the vast number of cases they are not appealed.

Mr. McNABB. When the Board of General Appraisers does make a decision, that decision stands, or that value stands, until it is set aside. That is in the nature of an official or proclaimed valuation. It is always subject, however, to the right of the importer to have

the decision of the appraiser reviewed independently of what went on before.

Senator McCUMBER. This may not be just the place to inject this question, and you may answer it later if you desire to do so, but I would like some views expressed by you on the question of valuation in the principal markets, when the value is very much different in one market from that in another. Take, for example, steel rails. In and around the vicinity of Pittsburgh they might be quoted at a certain price. Steel rails of the same character in San Francisco might be very much higher. Now, what methods have we of dealing with the situation and determining the prices in San Francisco and in New York or Pittsburgh?

Mr. McNABB. The bill states that the merchandise shall be appraised at the value or wholesale selling price in the principal market or markets of the United States. That is the law to-day with respect to foreign values. The appraising officers to-day determine the principal markets of the country of exportation.

Senator McCUMBER. It might be simple in Great Britain, for instance, since that is a small country and the market would be practically the same wherever they sold steel rails, but the market price of rails in San Francisco where the freight costs have to be added must be immensely greater than in and around the vicinity of Pittsburgh.

Mr. McNABB. Senator McCumber, one of the leading cases in the Supreme Court on the tariff deals with the question of principal markets. It was decided more than 50 years ago. It is the case of *Stairs v. Peasley*. In that case the question was raised and decided whether Halifax, Calcutta, and Liverpool are all principal markets of Great Britain, and the decision was in the affirmative, and the Supreme Court said that it rested with the appraising officer to determine what are the principal markets. That matter is gone into in the report of the Tariff Commission entitled "Information Concerning American Valuation as the Basis for Assessing Duties Ad Valorem."

Senator McCUMBER. That does not quite answer my question. Suppose that steel rails sell at \$100 at Pittsburgh and \$150 in San Francisco; how are you going to decide what the rate of duty shall be?

Mr. McNABB. That has been thought out, Senator, and the matter has been carried into section 402 of the bill. In determining the principal markets the appraising officers may consider the elements of costs that you have just mentioned. Transportation is one of them. Transportation charges across the continent in the case of pottery are very high. If such charges are involved, the appraising officers are given power to consider them and to allow for them in getting at the value for sale in the United State; he may take these things into consideration and ascertain what the fair market value is in view of all the facts.

There may be one principal market for a commodity; Boston is the principal wool market and Pittsburgh is the principal market for steel rails. These are well-known facts. The appraising officers would naturally go to those markets for values. They are given power in section 402 whereby they will be enabled to do justice to

every importer and to find a value which will be the fair market value of the particular importation.

Senator McLEAN. I want to ask you one question at this point. Is it possible to impose duties under the present system against importations from some countries that will not operate as an embargo against similar importations from other countries?

Mr. McNABB. That question, Senator McLean, is not easy of direct answer, because there is apt to be some difference in the goods themselves.

Senator WATSON. Well, if you take a case where goods are equal, you have that difficulty. For instance, take Japan. We were having hearings some time ago on surgical instruments. It costs so much to make them in Japan exactly as they are made in the United States. Wages over there are 57 cents a day and over here are many times higher. If you place a duty on surgical instruments coming from Japan that is protective in the sense in which that term is legitimately used, then it is an absolute embargo on the importation of surgical instruments from any other country in the world. It will be 1,000 per cent.

Senator McLEAN. That would be the case with a great many articles.

Senator WATSON. Oh, yes; I used that simply as an illustration.

Senator McCUMBER. Yes; you might take all kinds of celluloid goods.

Senator McLEAN. Will you answer my question? Is it possible to have a duty under the present system against importations from some countries that will not operate as an embargo against similar importations from other countries?

Mr. McNABB. The flexibility of this section No. 402—

Senator WATSON. He is asking about the present system.

Mr. McNABB. Oh, I can answer that readily.

Senator WATSON. Then, is the American plan the only way to escape from that situation?

Mr. McNABB. Pardon me. I thought you meant under the American valuation plan.

Senator McLEAN. I said under the present valuation.

Mr. McNABB. There is but one answer. If the duty is taken on the highest value of all the countries, as was said yesterday, as a possibility—

Senator McLEAN. If we are to consider the proposition for reasonable protection, are we not driven by force of circumstances to try some plan other than the present one?

Mr. McNABB. Under the present system duties are not taken on the highest value, but they are taken on the value in the country of exportation of the particular goods, Senator.

Senator McLEAN. I think you do not understand my question, even now. If we intend to continue a reasonable protective policy, is it possible under the present plan?

Mr. McNABB. In other words, can duties be made so high that there will be protection to American manufacturers against the goods of a low-cost country without making the duties prohibitive upon the goods from countries having high costs?

Senator McLEAN. That is another way to put it; yes.

Mr. McNABB. I see no way of doing it short of the American valuation plan.

Senator McLEAN. That is what we want to try to do. We do not want to adopt some unreasonable and impracticable and impossible plan.

Mr. McNABB. It is all right under the American valuation plan.

I am sorry that I did not understand the Senator's question.

Under the American valuation plan the flexibility would meet many situations. By flexibility I mean this, that the appraising officer is to determine whether there are comparable and competitive products of the United States sold in the open markets. If he decides that there are no such products, he may, and it is his duty, to find the value which will be the equivalent of a fair market value in the United States. In doing that he may take all the facts into consideration, and so long as he does not proceed upon methods that are unreasonable his action will be sustained by the authorities.

There is flexibility here which will benefit the importers as well as the producers, because of the requirement that it must be the fair market value of the particular importation upon which duties are taken. That value determined by the appraising officers and made applicable, through the means that I spoke of, to the other ports would soon, it seems to me, enable the goods to be quickly appraised at a value which would be known to the importer—a value which he would soon be able to know the definite amount of and a value which would carry no additional duties for undervaluation, if in good faith and without fraud he adopted the advisory appraisement.

If I were asked the greatest objection to the American system, I would say it is the great burden of work thrown upon the officers of the United States, and the answer to that is that that great body of men, properly compensated for their work, would enter upon their duties with added zeal and it would not be long before they would evolve a system which would be workable and satisfactory to all.

The CHAIRMAN. Have you closed your statement, Mr. McNabb? Of course, I know that you can go on with a very interesting discussion of the subject for a long period, but brevity must be our guiding principle. It is true that it is very important and we do not want to curtail legitimate discussion. If you have anything further to say or anything that you would like to submit in written form, you may give it to the stenographer.

Mr. McNABB. With the permission of the committee, I would like to add something to what I have already said. There are two other matters.

The CHAIRMAN. The committee is greatly interested and wants to give you every opportunity. Of course, we have limitations upon our time, as you must realize. Is it your thought that you will be able to close by inserting in the record your additional views on the matter?

The committee, I may say, has indicated a desire to reserve the right to invite the members of the commission to appear before it at a later date.

The committee now, under the program laid out, will adjourn until half past 2, when it will hear Mr. Marvin, of the Tariff Commission. When Mr. Marvin is through, the committee will proceed to hear certain customhouse officials from New York.

The committee will stand adjourned until half past 2, when Senator McCumber will take the chair.

(Whereupon, at 12 o'clock noon, the committee took a recess until 2.30 o'clock p. m.)

AFTER RECESS.

Senator McCUMBER (presiding). Mr. Marvin, will you be kind enough to give the committee your views with reference to this American valuation, giving first your name and position?

**STATEMENT OF HON. THOMAS O. MARVIN, VICE-CHAIRMAN
UNITED STATES TARIFF COMMISSION.**

Mr. MARVIN. Thomas O. Marvin, vice chairman United States Tariff Commission.

Mr. Chairman, the determination of value is always attended with more or less difficulty. Our town and city governments met this difficulty, so far as the valuation of real estate is concerned, by the appointment of boards of assessors, whose duty it was to estimate as accurately as they could the value of the properties under their jurisdiction. They did not ask the owner of the property to determine the value—they estimated the value as best they could in the light of comparable values in the community, sales that had taken place, etc.

Our Federal Government in the collection of customs duties has attempted to meet the difficulties of valuation by the appointment of customs officials whose duty it is to estimate the value of imports upon which ad valorem duties are based.

It might be serviceable if we could have a brief outline of the organization of our customs service, and I would like to read a few paragraphs from an interesting article by Mr. George C. Davis, of the Customs Service, of New York:

The United States is divided into 48 customs districts, each in charge of a collector of customs. Within these districts there are 48 headquarters ports and 264 ports of entry. The latter ports are in charge of deputy collectors. * * *

There are 6,635 customs employees, divided approximately as follows: 1 chief division of customs; 2 assistant chiefs; 39 clerks and messengers, division of customs; 126 special agency service; 48 collectors; 300 deputy collectors; 15 cashiers; 7 naval officers; 7 surveyors; 16 appraisers; 17 assistant appraisers; 218 examiners; 1,855 inspectors and guards; 2,984 clerks and other employees; and 1,000 openers and packers and laborers.

This, briefly, with the exception of the Customs Court of Appeals and the Board of United States General Appraisers, is the organization of the Customs Service existing for the purpose of safeguarding the revenues and properly collecting the duties under our tariff law. * * *

Fundamentally the operations necessary to secure the duties upon imports are simple in the extreme and may be broadly placed at four: Taking custody of the merchandise. Examining it to determine value, count, measurement, weight, and rate of duty. Collecting the duties and recording the amounts. Returning the merchandise to its rightful owners. * * *

The merchandise is taken into custody for this purpose, and the amount of money collected depends entirely upon the accuracy of this operation. * * *

Out of 6,635 employees, 251 of them in our larger ports are engaged in appraising and classifying the importations for duty. * * *

The appraiser appraises and classifies the merchandise.

Even the classification of the merchandise is not entirely in the hands of one legally constituted officer. Theoretically the collector determines the rate of duty, but only in theory, as neither he nor his subordinates (except in the smaller ports) ever see the merchandise. Classification is the collector's legal function, in fact, the most important of any he has to perform, for erroneous rates of duty may mean the loss of millions in revenue. The appraiser is only required by law to report the facts to the collector in order that the collector may properly classify the merchandise, but as the examiner sees the article and is the practical and technical merchandise man, his advice has gradually become the act itself. He places the rate of duty he has selected as the

proper one, together with the paragraph number of the law, upon the invoice, and the collector, through his subordinates, assesses the duty accordingly. * * *

The entire burden of the work, the most important work in the entire gamut of customs, falls upon the shoulders of the examiners. * * *

Whether the Government secures its proper amount of revenue or the American manufacturer his measure of protection against unfair competition brought about by undervaluation and erroneous rates of duty and misleading or dishonest labeling of imported goods, depends entirely upon the examiners, supplemented by the work of the special agents.

There are probably few positions in the business world requiring more knowledge of foreign trade conditions, business practices, costs, and methods of production and changing values the world over than the position of the merchandise examiner. He must have the most intimate knowledge of customs laws and decisions of the courts and Boards of United States General Appraisers. Upon his action and judgment depends practically the entire working of our whole tariff system. A simple mistake in judgment and insufficient knowledge of conditions or a lack of conscientiousness in performing his work may cost the Government thousands of dollars in lost duties and consequent injustice to importers or American manufacturers or may lead to interminable and expensive litigation. * * *

The market value of an imported article is one of fact and in most instances is ascertained through actual transactions. Under our present law the value sought by appraising officers is the wholesale price that the article is sold for in the home market of the foreign country. These prices can only be secured on the ground, and at the present time we have only six foreign investigators, known as Treasury attachés, for the entire world. These officers are engaged in securing this information for the appraisement of merchandise. Their work is, of course, supplemented by consular reports, but these reports are only occasional, as the consuls in their busy districts have little time to devote to customs matters. Closely connected with the work of the examiners is that of the special agents and customs agents. Aside from smuggling, usually a very wide and important field, the investigations of the transactions of importers are highly important in checking undervaluations. Examiners are confined in their offices practically all the time in examining current importations. The statements upon the invoices as to prices paid need constant verification, and examiners have little time for this work. There have been innumerable instances where the special agents in investigating the invoice values of past importations have recovered enormous sums in withheld duties. * * *

Under proper organization the customs service of the United States can be made 100 per cent more efficient, and if conducted by men paid compensations worthy of their hire, there will be large gains in the revenue and a material reduction in expense.

That, gentlemen, is the Government's organization for collecting customs duties and for assessing the value of imports subject to ad valorem rates of duty.

Under our present law these gentlemen are supposed to obtain the value of the goods in the foreign market, the wholesale price in foreign markets on the date of exportation.

As Mr. Davis said, there are six foreign agents for that purpose, a wholly inadequate force. These gentlemen connected with the customs service are experts in their line. They have devoted years to the problems of ascertaining values. As I understand it, the examiners are divided into groups; to each group are assigned certain commodities in which they become experts. They know the kind and quality and value from experience. The proposed change in the customs laws does not change the fundamental requirements so far as the customs officials are concerned. It still means what the present system means, a correct ascertainment of value.

The change that has been suggested makes this notable difference: Instead of trying to ascertain the value of an imported article in the foreign country, the effort is made to obtain the value of comparable and competing articles in this country, and, gentlemen, does that present an insurmountable obstacle? The American people recognize values; they are called a trading people. We know from the

rush of people to bargain-day sales at department stores that there is common knowledge in regard to values among the people of the country. Take the buyers in our department stores, they could not hold their jobs a day unless they were capable of comparing values.

I believe that the men in the Customs Service who are trained in this line of work, who are either selected for their ability along these lines or who have because of their experience in the customs service obtained familiarity with values, can ascertain the values of comparable goods in this country for purposes of assessing and levying the duties.

It has been suggested that this is a revolutionary change. As I have said, it does not change the real basis of the work. It merely transfers the field of operation. Instead of trying to obtain foreign values the proposed change would place upon the customs officials the obligation of obtaining American values, and it would seem, at least at a casual glance, that it would be much easier to obtain values in the United States than it would to obtain values of imported articles from countries that we are unfamiliar with, miles and miles away, and in which we have only six special agents for this purpose.

Does it present insuperable obstacles so far as the proposed bill is concerned?

For many years more than one-half of our imports have been free of duty. During the last fiscal year slightly over 60 per cent of our imports were on the free list. Gentlemen, 60 per cent or more of our imports would not come under the terms of the American valuation, were it adopted. By the transfer from the free list to the dutiable list of a number of articles probably that percentage would be reduced; perhaps when the law is in operation, say, 50 per cent of our imports may be dutiable, but of those dutiable imports—50 per cent of the total imports—a very considerable number bear specific duties, which would remove them from consideration so far as the operation of American valuation is concerned.

An analysis of the rates proposed in the bill recently passed by the House of Representatives shows that in schedule 1—chemicals, oils, and paints—there are 138 specific duties; there are 13 compound duties and 65 ad valorem duties. So far as Schedule 1 is concerned, vastly more of the rates are specific than ad valorem.

In Schedule 2—earthenware and glassware—there are 62 specific rates, 14 compound rates, and 39 ad valorem rates.

In Schedule 3—metals and manufactures of metals—there are 171 specific rates, 43 compound rates, and 70 ad valorem rates.

In Schedule 4—wood and manufactures of wood—there are 5 specific rates and 17 ad valorem rates—a considerably larger number of ad valorem rates than specific rates in schedule 4, wood and manufactures of wood. The ad valorem rates are applied to such things as paving posts, railroad ties, boxes, barrels, toothpicks, porch and window blinds, and other similar articles, the value of which, it would not seem, would be peculiarly difficult to obtain in the United States.

Schedule 5, the sugar schedule, has 9 specific rates and 2 ad valorem rates. So far as the application of the American valuation goes, Schedule 5 might be practically eliminated, as the rates are nearly all specific. The two ad valorem rates apply to adonite, dextrose, and to candy.

Schedule 6, the tobacco schedule, has 7 specific rates and 1 compound rate; a specific and ad valorem rate on cigars and cigarettes of \$4.50 a pound and 25 per cent. So the change to the American valuation would not affect that schedule to any degree.

Schedule 7, agricultural products, has 220 specific rates and 43 ad valorem rates. The ad valorem rates apply to such things as lard compounds, reindeer meat, sausage casings, meats not specially provided for, malted milk, cheese over 30 cents a pound, horses over \$150 in value, mixed feeds, biscuits, cakes, jams and jellies, sliced vegetables, chocolate and cocoa, the American price of every one of which could be ascertained without difficulty.

Schedule 8—spirits, wines, etc.—has 9 specific rates and 1 ad valorem; another schedule which could be eliminated.

Schedule 9 is the cotton schedule, and it is probably in the textiles schedules where the complications, if there are any, would be most apt to occur. The cotton schedule is based on varying specific rates with stop rates of an ad valorem nature, for instance, cotton yarn, not bleached, etc., under 40's, has a specific rate of one-fifth of 1 cent per number per pound; 40's to 120's 8 cents per pound, and in addition one-quarter of 1 cent per number per pound for every number in excess of 40, with a proviso that yarns under 100 shall pay not less than 5 per cent, and numbers over 100 not less than 25 per cent.

I will not read the details of that schedule.

Thread has a specific rate of one-half cent per 100 yards, provided it shall not be less than 17 nor more than 33½ per cent.

Cotton cloth has similar rates raised in proportion to those on yarns; in other words, the cotton schedule, except for the stop rates of an ad valorem nature are practically all specific rates.

It might be necessary, for careful administration of the cotton schedule, to consider American values, if these stop ad valorem rates were taken into consideration, as they should be.

In the early operation of the law the Treasury might well suggest that the rates in the cotton schedule shall be levied in accordance with the specific rates of the bill, if it were necessary to eliminate any complications so far as the American valuation is concerned, although I do not believe that those difficulties are great or in any degree insurmountable.

Schedule 10—flax, hemp, jute, etc.—has 29 specific rates, 3 compound rates, and 15 ad valorem rates.

Schedule 11—wool and manufactures of wool—has 10 specific rates, 38 compound rates, and 6 ad valorem rates—comparative values so far as the wool schedule is concerned would be rather necessary.

Schedule 12—silk and silk goods—has 84 specific rates, 3 compound rates, and 10 ad valorem rates, the ad valorem rates being on knit goods, clothing, etc., in which there would not be any great difficulty in ascertaining the market value.

Schedule 13—papers and books—has 22 specific rates, 22 compound rates, and 20 ad valorem rates.

Schedule 14—sundries—has 37 specific rates, 20 compound rates, and 95 ad valorem rates. It is in the sundry schedule where the larger number of ad valorem rates will be found.

Taking all of the schedules of the bill there are 803 specific rates, there are 156 compound rates, and 384 ad valorem rates.

So, looking at the proposition from its darkest aspect, the amount of imports which would be affected by the change to the American valuation will, as I have said, be only a small percentage of the 50 per cent of dutiable imports.

In 1920 the total percentage of free imports was 61 and a fraction per cent. Of the dutiable imports 26 per cent were specific, 12 per cent ad valorem, and 0.34 of 1 per cent were compound.

In 1919, 48 per cent of our revenue was obtained from imports having a specific rate of duty, and 48 per cent of our revenue was obtained from the ad valorem duties.

In 1920, 43 per cent of dutiable imports in value had a specific rate, and 54 per cent in value had an ad valorem rate.

Some years the amount of revenue raised by articles bearing an ad valorem rate of duty may be in excess of the amount raised by articles bearing a specific rate of duty.

These figures will indicate the extent to which ad valorem rates of duty apply to our imports and the bearing of the change to American valuation upon our imports.

The question has been raised as to the degree of difficulty in determining the comparable American product with the imported product. As my analysis of the proposed bill would indicate, it is in the textile schedules and in the sundry schedules where the effect of this change to the American valuation will be felt most.

I have tables here of the typical products of an American worsted mill, which, without reading in full, might perhaps be included in the record.

Senator McCUMBER. The stenographer will include them as a part of your statement.

(The tables referred to are as follows:)

Classified list of typical worsted fabrics.

Qual- ity.	Width.	Articles.	Weight.
<i>For men's and women's wear, all-wool piece-dyed serges, clear finish.</i>			
CLASS I.			
123	35	Storm serge for women's wear	4.1
87	36	....do.....	4.2
86	54	....do.....	7.9
94	54	....do.....	8.1
121	54	Medium serge for women's wear	8.1
99	54	....do.....	8.1
104	54	Fine serge for women's wear	7.1
9	54	....do.....	8.1
109	54	....do.....	8.1
11	54	....do.....	7.1
2004	56	Coarse serge for men's and women's wear	10
2272	56	Medium serge for men's and women's wear	10
2445	56	....do.....	9.1
2205	56	....do.....	9.1
2002	56	Fine serge for men's and women's wear	9.1
2001	56	....do.....	10.1
2461	56	....do.....	10
2458	56	....do.....	11
2440	56	....do.....	11
2460	56	....do.....	11
2340	56	....do.....	11
2075	58	....do.....	11.1
2441	56	Medium serge for men's wear	12
2316	56	Fine serge for men's wear	12
2270	56	....do.....	12.1
2512	58	....do.....	13

Classified list of typical worsted fabrics—Continued.

Qual- ity.	Width,	Articles.	Weight.
<i>For men's and women's wear all-wool, piece-dyed serges, clear finish—Contd.</i>			
CLASS I—continued.			
2429	56	Coarse serge for men's wear.....	13 $\frac{1}{2}$
2459	56	Fine serge for men's wear.....	13/13 $\frac{1}{2}$
2350	58	do.....	13 $\frac{1}{2}$
2043	56	do.....	13 $\frac{1}{2}$
2400	56	do.....	14
2514	58	do.....	14 $\frac{1}{2}$
2467	56	do.....	15 $\frac{1}{2}$ /16
2320	58	do.....	15 $\frac{1}{2}$
2516	58	do.....	16
2468	56	do.....	18/18 $\frac{1}{2}$
2450	58	do.....	18
2518	58	do.....	18
<i>All-wool piece-dyed serges, unfinished.</i>			
CLASS II.			
2132	56	Unfinished worsted for men's and women's wear.....	10 $\frac{1}{2}$
2386	56	Unfinished worsted for men's wear.....	12 $\frac{1}{2}$
2393	58	do.....	13 $\frac{1}{2}$
<i>For men's and women's wear—All-wool piece-dyed chevots.</i>			
CLASS III.			
2345	56	Cheviot for men's and women's wear.....	12 $\frac{1}{2}$
<i>All-wool mixture serges, clear finish.</i>			
CLASS IV.			
2281	56	Fine mixture serge for men's and women's wear.....	10 $\frac{1}{2}$
2049	56	Fine mixture serge for men's wear.....	11 $\frac{1}{2}$
2454	56	do.....	11 $\frac{1}{2}$
2236	58	do.....	13 $\frac{1}{2}$
<i>All-wool mixture serges, unfinished.</i>			
CLASS V.			
2329	56	Medium unfinished mixture serge for men's wear.....	14
2285	56	Fine unfinished mixture serge for men's and women's wear.....	10 $\frac{1}{2}$
2063	56	Fine unfinished mixture serge for men's wear.....	11 $\frac{1}{2}$
2334	58	do.....	14/14 $\frac{1}{2}$
<i>For men's and women's wear—All-wool melange or Vigoreaux serges, clear finish.</i>			
CLASS VI.			
2208	56	Medium melange serge for men's and women's wear.....	10
2464	56	Medium melange serge for men's wear, except style 25.....	12
2464-25	56	Medium melange serge for men's wear, style 25 only.....	12
2453	56	Coarse melange serge for men's wear.....	13 $\frac{1}{2}$
<i>All-wool piece-dyed fancy weave serge.</i>			
CLASS VII.			
2000	56	Coarse full weight serge for men's wear.....	10
2372	56	Fine full weight serge for men's wear, except pattern H.....	10 $\frac{1}{2}$
2372H	56	Fine full weight serge for men's wear, pattern H only.....	10 $\frac{1}{2}$
2455	56	Fine full weight serge for men's wear.....	14
2513	58	Fine suiting for men's wear.....	13
2515	58	do.....	14 $\frac{1}{2}$
2469	56	Fine full weight serge for men's wear.....	15 $\frac{1}{2}$ /16
2517	58	Fine suiting for men's wear.....	16
2519	58	do.....	17/18
<i>Revised July 7, 1981, for men's and women's wear, all-wool piece-dyed serges with cotton stripes.</i>			
CLASS VIII.			
2369	56	Coarse full-weight striped serge for men's wear.....	10
2430	56	do.....	13 $\frac{1}{2}$

Classified list of typical worsted fabrics—Continued.

Qual- ity.	Width.	Articles.	Weight
<i>All-wool piece-dyed fancy weave chevots.</i>			
CLASS IX.			
2433	56	Fancy weave chevot for men's wear.....	12½
<i>All-wool mixture suitings.</i>			
CLASS X.			
2-2451	56	Fancy weave mixture suiting for boys' clothing.....	15½
2434	56	Fancy weave mixture for men's and women's wear.....	10½
2376	56	Fancy weave mixture for men's wear.....	12
2457	56	do.....	10½/10½
2415	56	Mixture tropical suiting for men's wear.....	8½
<i>For men's and women's wear, all-wool melanges or Vigoreaux fancy weaves.</i>			
CLASS XI.			
2289	56	Herringbone melange for men's and women's wear.....	10
2465	56	Herringbone melange for men's wear, exclusive styles.....	25-12
2465-25	56	Herringbone melange for men's wear, style 25 only.....	12
<i>All-wool cream serges—all-wool shepherd checks.</i>			
CLASSES XII AND XIII.			
2051	56	Fine shepherd check for men's wear.....	9½
<i>All-wool piece-dyed suitings for women's wear.</i>			
CLASS XIV.			
228	54	Fine Panama for women's wear.....	6½
774	54	Fine poplin for women's wear.....	7½
778	56	Fine tricotine for women's wear.....	10½
790	56	Poirot twill for women's wear.....	10½
789	56	Fine tricotine for women's wear.....	9
788	56	do.....	10½
<i>Revised July 7, 1921, for men's and women's wear, gabardine for men's wear.</i>			
CLASS XV.			
2470	56	Cotton-filled gabardine.....	12½/12½
2295	56	do.....	11
2298	56	do.....	14
2301	56	Mixture warp cotton-filled gabardine.....	12
2220	56	All-wool double and twist gabardine.....	15
<i>Worsted and cotton twist suitings.</i>			
CLASS XVI.			
1419	56	Worsted and cotton twist fancy weave for raincoatings.....	9½
<i>Cotton and wool serges.</i>			
CLASS XVII.			
1210	35	Cotton warp storm serge for women's wear.....	4½
1213	35	Cotton warp fine serge for women's wear.....	4½
<i>Revised July 6, 1921, for men's and women's wear, cottons and wool serges.</i>			
CLASS XVII.			
2401	30	Platted warp serge for men's wear.....	5
2402	30	Cotton warp serge for men's wear.....	5
2423	.....	Cotton warp fine serge for men's wear.....	10½
<i>Cotton warp shepherd checks.</i>			
CLASS XVIII.			
1450	35	Cotton warp shepherd check for women's wear.....	4½
1406	54	do.....	7
1423	54	do.....	7½

Classified list of typical worsted fabrics—Continued.

Qual- ity.	Width.	Articles.	Weight.
<i>Cotton and wool fancy weave serges.</i>			
CLASS XIX.			
2408	30	Cotton warp fancy weave serge for men's wear.....	5½
2432	30	Plaited warp fancy weave serge for men's wear.....	5
<i>For men's and women's wear, cotton and wool suitings.</i>			
CLASS XX.			
1530	35	C. W. serge hairline stripes for women's wear.....	4½
1531	35	C. W. granite for women's wear.....	4.7
<i>Cotton warp cashmeres.</i>			
CLASS XXII.			
669	36	Cotton warp oxford cashmere for rubberizing.....	2½
699	37	.....do.....	3½
659	36	.....do.....	3½
<i>Miscellaneous.</i>			
CLASS XXIII.			
1528	37	Cotton warp corkscrew for shoe cloth.....	5

Senator WATSON. Give us some of those, so we can have them in mind.

Commissioner MARVIN. This table shows that in this typical American worsted mill there are 23 classes of products. There are, for instance, storm serges, medium serges, fine serges, coarse serges for men's and women's wear, medium serges for men's and women's wear, various kinds and weights of serges, chevots, all wool mixed serges, all wool piece-dyed serges with cotton stripes—in fact, pretty nearly a full line of worsted fabrics.

This table shows the weight per yard of these fabrics of the different classifications. If an English serge, for instance, is imported into this country and we tried to find a comparable American product, naturally we would not compare it with a cheviot or broadcloth; we would compare it with an American serge. It would fall naturally into that "class 1" of serges.

If it is a serge of light weight for women's wear, for instance, made in 4 ounces to the yard, it would be compared with an American serge weighing 4 ounces to a yard.

There are American serges ranging in weight from 4 ounces to a yard up to 18 ounces to a yard; probably as large a variety of American-made serges as are made anywhere in the world. So when a foreign serge comes in there is something of comparable quality to which it can be compared. Practically the same remarks might be made of every line of foreign worsteds or woollens.

If they are competitive, it means that something of the same nature is made in this country and the ascertainment of the value of that thing made in this country is not a difficult proposition.

In the morning paper there was published a table similar to that one which I have just commented upon. This table is the price list of the American Woolen Co., giving the prices for its spring, 1922, fabrics. It gives the weight per yard and the price of all of its products. The suggestion has been made that if the change is made to American valuation the importer of the foreign goods would not know the amount of duty that would be assessed on his goods at the

time that they arrived in the United States, not knowing what the price of a comparable article in the United States would be.

Gentlemen, here are the prices of the full line of spring, 1922, goods made by the American Woolen Co. Not only will the foreign exporter be under no difficulty to find out the price at which goods comparable with his sell in the United States at the time of exportation, but by the publication of these prices, which is a trade custom, he may know some six months in advance what the price of comparable American goods will be.

Senator WATSON. Has he any assurance that that price list will not be changed?

Commissioner MARVIN. The prices may be changed; his prices may be changed.

Senator SMOOT. Do you want this to go into the record?

Commissioner MARVIN. I think it might go into the record.

(The clipping referred to is as follows:)

COTTON GRAY GOODS.

The following figures represent an idea of the prices at which gray goods may be obtained. Mill prices, in general, are higher, but the consensus of opinion is that these figures are as near the market as one can estimate. Contracts to-day are invariably for near-by months. (July 25, 1921.)

Spring prices of goods made by American Woolen Co. for 1922.

	Linear yards per pound.	Prices in cents per linear yard.				
		Second hands.	Southern spot and near by.	Southern con-tracts.	Eastern spot.	Eastern con-tracts.
Print cloths:						
25 inch, 56 by 44.....	10.55				3½	
27 inch, 44 by 47.....	9.50				3½	
27 inch, 56 by 52.....	9.00		3½		4	
27 inch, 64 by 60.....	7.60		4½			
31½ inch, 48 by 48.....	8.70				4	
31½ inch, 56 by 52.....	7.50				4½	
32 inch, 64 by 60.....	6.50		5½-5½		5½	
28½ inch, 44 by 40.....	8.20		4½		4½	
38½ inch, 48 by 48.....	7.15				4½	
39 inch, 56 by 44.....	6.60		4½		5	
36 inch, 40 by 40.....	9.20				4½	
36 inch, 48 by 44.....	7.75				4½	
38½ inch, 60 by 52.....	6.00		6			
38½ inch, 60 by 48.....	6.25		5½		5½	
38½ inch, 64 by 56.....	5.50		6½		6½	
38½ inch, 64 by 60.....	5.35		6½	6½	7	
39 inch, 68 by 72.....	4.75		8½	8½		
39 inch, 72 by 76.....	4.25		8½			
39 inch, 80 by 80.....	4.00		10½ B	10½	11 B	10½
39 inch, 80 by 88.....	5.00				11½	
39 inch, 96 by 92.....	5.25				15	
39 inch, 96 by 100.....	5.00				16	
39 inch, 96 by 100.....	4.15					
44 inch, 48 by 48.....	6.40		5½		5½	
44 inch, 44 by 40.....	7.25				5	
Sheetings (net prices unless otherwise specified):						
51-inch, 48 by 48.....	5.00		4½			
36-inch, 40 by 40.....	6.25		4½			
36-inch, 44 by 40.....	6.15		4½	4½		
36-inch, 48 by 40.....	5.50		4½			
36-inch, 48 by 48.....	5.00		5½			
36-inch, 48 by 52.....	4.70		6			
36-inch, 56 by 60.....	4.00		7-7½			
37-inch, 48 by 48.....	4.00		6½-6½			
36-inch, 48 by 48.....	3.00		8-8½	8-8½		
36-inch, 64 by 68.....	3.50		9			
36-inch, 48 by 44.....	3.25		7½-7½			
40-inch, 48 by 44.....	3.75		6½			
40-inch, 44 by 40.....	4.25		5½			
40-inch, 56 by 60.....	3.60		7½-8			
40-inch, 64 by 68.....	3.15		9½			
40-inch, 48 by 48.....	2.85		8½			

¹ October.

² Late.

³ Terms.

Spring prices of goods made by American Woolen Co. for 1922—Continued.

	Linear yards per pound.	Prices in cents per linear yard.				
		Second hands.	Southern spot and near by.	Southern con- tracts.	Eastern spot.	Eastern con- tracts.
Sheetings (net prices unless otherwise specified—Continued.)						
40-inch, 48 by 48.....	2.50		9½			
40-inch, 44 by 44.....	5.00		5½			
46-inch, 44 by 44.....	5.50		5½			
Pajama checks:						
36½-inch, 72 by 30.....	4.70		8½	8½-8½		
36½-inch, 64 by 60.....	5.25		7½			
Three leaf twills:						
39-inch, 64 by 60.....	5.10			7½	7½	
39-inch, 64 by 72.....	4.80		8		8	
39-inch, 68 by 76.....	4.50		8½		8½	
39-inch, 68 by 76.....	4.25					
39-inch, 68 by 76.....	4.00		9½	9	9½	
37-inch, 96 by 60.....	4.50				9½	
Pocketing twills:						
31-inch, 64 by 100.....	4.20				11½	11½
31-inch, 64 by 70.....	4.00			9½-9		9½
31-inch, 68 by 80.....	4.20		9½			10
31-inch, 68 by 80.....	3.85			10½-9½		10½
Osnaburgs:						
30-inch, 7-ounce, P. W.....			6½-7			
40-inch, 7-ounce, P. W.....			7½			
Drills:						
37-inch.....	3.95		9½			
37-inch.....	3.50		9½			
37-inch.....	3.25	6 7½				
37-inch.....	3.00		9 8			
37-inch.....	2.75		9 8			
37-inch.....	2.35		9½			
33-inch.....	4.20		9 6			
34-inch.....	4.75		9½			
30-inch.....	4.00		9 6			
30-inch.....	3.25		9 7			
30-inch.....	5.25		9 5-5½			
30-inch.....	3.00		9 7½-7½			
30-inch.....	2.85		9 8			
30-inch.....	2.50	9½	10			
30-inch, 76 by 58.....	2.50		10½			
Organdies:						
39-inch, 68 by 53.....	11.00				10½-11	
40-inch, 76 by 56.....	11.00					11½-12
40-inch, 72 by 64.....	13.00					15½-15
Pongees:						
34-inch, 72 by 100.....	7.00			15½-14½		15½-14½
34-inch, 64 by 72.....	6.40				11½-12	12
Voiles:						
40-inch, 60 by 56, extra hard twist.....		12½			12½	
40-inch, 60 by 56, ordinary hard twist.....					10-10½	
40-inch, 60 by 52, slack twist.....					9	
Combed lawns:						
40-inch, 84 by 80.....	10.50				17½-18	17½-18
40-inch, 72 by 68.....	9.50				11½-12½	11½-12
40-inch, 80 by 80.....	9.00				13-13½	12½-13½
40-inch, 76 by 72.....	9.00		12		12½-13	12½-12½
40-inch, 88 by 80.....	8.50				13½-14½	13½-14½
40-inch, 96 by 92.....	7.50				15½-16½	15½-16
40-inch, 96 by 100.....	7.00				16-17	16-17
30-inch, 88 by 80.....	11.35				10½-11	11
30-inch, 76 by 72.....	12.50				9½	9½
Carded lawns:						
38-inch, 72 by 60.....	10.00		8½		8½-9	8½-9
40-inch, 72 by 60.....	9.00			9½		10½
40-inch, 80 by 72.....	7.70				9 12	
40-inch, 88 by 80.....	6.00				12	
40-inch, 72 by 68.....	6.00		9½	9½	9½	
40-inch, 80 by 76.....	6.00				10-10½	
Poplins, 37½-inch, 100 by 44.....	3.90-4.00	9 10½-16½				
Sateens:						
37½-inch, 64 by 72.....	5.25			8½-9	9	
37½-inch, 64 by 80.....	4.90				9½-9½	
37½-inch, 64 by 88.....	4.70				9½-9½	
39-inch, 64 by 104.....	4.20				10½-11	
39-inch, 64 by 112.....	4.00				11½-11½	
39-inch, 72 by 120.....	3.50				13½	
43-inch, 64 by 104.....	3.85				11½-12½	
43-inch, 64 by 112.....	3.65	10			12½-13	
43-inch, 72 by 120.....	3.35				14-14½	
43½-inch, 96 by 56.....	4.00				9	
43-inch, 96 by 132.....	3.35			17		
42-inch, 84 by 124.....	3.35				15½	

* Terms.

* Terms asked.

* Depending upon count.

* Depending upon the make.

* Net.

* Net asked.

* Asked.

* Twill.

American Woolen Co., department 1, division A, comparison of prices.

[From Daily News-Record, July 26, 1921.]

	Prices per linear yard.							
	Spring 1922.	Spring 1921.	Spring 1918.	Spring 1917.	Spring 1916.	Spring 1915.	Spring 1914.	Spring 1913.
Washington standard clays:								
317 11-ounce.....		\$3. 65	\$2. 65	\$1. 55	\$1. 30	\$1. 15	\$1. 15	\$1. 25
317 12-ounce.....		3. 47½	2. 80	1. 65	1. 37½	1. 22½	1. 22½	1. 32½
338 14-ounce.....	\$2. 50	4. 02½	3. 12	1. 80	1. 50	1. 32½	1. 32½	1. 42½
200 16-ounce.....	2. 85	4. 62½	3. 65	2. 00	1. 67½	1. 47½	1. 42½	1. 55
612-5 12-ounce.....		2. 72½	2. 35	1. 52½	1. 27½	1. 10	1. 07½	1. 15
Washington serges:								
209-2.....		1. 65	1. 55	1. 07½				
209½-1.....		1. 67½	1. 60	1. 12½	. 95	. 67½	. 72½	
809-2 9-ounce.....	2. 17½	3. 20	2. 42½	1. 47½	1. 20	1. 07½	1. 00	1. 26½
812-10 12-ounce.....		3. 87½	2. 97½	1. 77½	1. 42½	1. 32½	1. 25	1. 40
814-33.....		4. 10	3. 20	1. 90	1. 52½	1. 37½	1. 32½	1. 47½
2192.....	2. 42½	3. 62½	2. 90	1. 67½	1. 32½	1. 17½		
616 11-ounce.....	2. 05							
3289 12-ounce.....	2. 05							
693 9½-ounce.....	1. 77½							
3330.....	1. 95							
Washington cheviot:								
312-32 12-ounce.....	1. 15							
Wool serges:								
9810-4.....		3. 32½	2. 62½	1. 55	1. 25	1. 10	1. 07½	1. 20
9714-8.....		4. 07½	3. 30	1. 92½	1. 42½	1. 40	1. 30	1. 42½
9814-8.....		4. 12½	3. 45	1. 92½	1. 55	1. 42½	1. 32½	1. 45
9811-4.....		3. 75	2. 97½	1. 72½	1. 42½	1. 27½	1. 22½	
9812-4.....		3. 95	3. 15	1. 82½	1. 47½	1. 37½	1. 30	
9696.....		2. 57½	2. 15	1. 32½	1. 12½	. 92½		
9709-1.....	2. 07½	3. 07½	2. 35	1. 37½	1. 12½	1. 00		
9809-2.....		3. 20	2. 42½	1. 47½	1. 20	1. 07½		
9168, 13-ounce.....	2. 50							
9187, 13-ounce.....	2. 77½							
9479, 11-ounce.....	2. 52½							
9413, 13-ounce.....	1. 85							
9168, 13-ounce.....	2. 50							
9540, 13-ounce.....	2. 55							
9625, 16-ounce.....	3. 10							
9118-010, 18-ounce.....	3. 422							
9629, 13-ounce.....	2. 45							
9647, 14-ounce.....	2. 75							
9479, 14-ounce.....	2. 522							
9640, 16-ounce.....	3. 10							
9640.....	3. 122							
9627.....	3. 272							
Wool unfinished worsteds:								
9813-7, 13-ounce.....	2. 35							
814-33, 14-ounce.....	2. 10	4. 10	3. 20	1. 90	1. 52½	1. 37½	1. 32½	1. 47½
9613-1.....		2. 75	2. 47½	1. 50	1. 25	1. 07½	1. 05	
Fulton serges:								
1210.....		4. 05	3. 30	1. 87½	1. 55	1. 42½	1. 32½	1. 50
3190.....		3. 40	2. 75	1. 55	1. 27½	1. 15	1. 07½	1. 22½
3192.....	2. 42½	3. 67½	2. 92½	1. 67½	1. 32½	1. 20	1. 12½	1. 30
3844, 16-ounce.....	3. 37½	4. 97½	4. 05	2. 30	1. 87½	1. 65	1. 62½	1. 80
4077, 16-ounce.....		4. 57½	3. 87½	2. 17½	1. 77½	1. 60	1. 52½	1. 72½
4571, 9½-ounce.....		3. 10	2. 50	1. 50	1. 25	1. 10	1. 02½	1. 20
5048, 15-ounce.....	2. 77½	4. 02½	3. 40	2. 00	1. 72½	1. 52½	1. 45	1. 62½
3781, 13-ounce.....		4. 42½	3. 52½	2. 05	1. 70	1. 55	1. 50	1. 67½
3194.....	2. 85	4. 25	3. 57½	2. 00	1. 62½	1. 45	1. 37½	1. 57½
200.....	3. 10	4. 60	(¹)					
4078.....	3. 35							
681.....	2. 70							
454.....	3. 122							
364.....	3. 222							
660.....	2. 45							
Ayer Mill serges:								
1810-4, 10-ounce.....		3. 27½	2. 60	1. 50	1. 20	1. 10	1. 07½	1. 20
1814-44.....	2. 75	4. 22½	3. 50	1. 97½	1. 60			
690.....	2. 40	3. 77½						
693, 13-ounce.....	2. 65							
6192, 11-ounce.....	2. 42½							
French backs:								
816-69.....	3. 25							
9116-58, 16-ounce.....	4. 50							

¹ New.

Senator WATSON. Is the American Woolen Co. in the habit of publishing prices this far in advance?

Commissioner MARVIN. Yes, sir; they publish regularly their spring, their fall, and their winter prices, I think—possibly four times a year—spring, summer, fall, and winter.

Senator WATSON. Do you know whether or not they adhere to these prices?

Commissioner MARVIN. Unless there is some change in business conditions that compels a price change, these prices hold.

Senator GERRY. It is not true of other commodities, is it?

Commissioner MARVIN. It is, I think, quite true of cotton goods.

On the reverse side of that newspaper clipping is a table of cotton yarns and cotton sheetings, giving the size and width, etc., and the prices.

Senator GERRY. That only applies to certain commodities?

Commissioner MARVIN. It applies to quite a large variety of commodities.

Senator GERRY. And quite a large variety of commodities it does not apply to; is that not true?

Commissioner MARVIN. Well, there are commodities that are made in comparatively small quantities and by small concerns, perhaps, to which it would not apply.

Senator WATSON. Take the steel industry: Is there a publication of prices by the steel people?

Commissioner MARVIN. I am not informed about it, but I think it is true; I think the prices are published.

Senator LA FOLLETTE. I suppose this might be called "open-price fixing?"

Senator WATSON. Yes.

Commissioner MARVIN. If every one made those same prices, there might be something in that. But I think a good many concerns will find it difficult to meet those prices.

Senator WATSON. When the American Woolen Co. opens their line of goods, nearly every other woolen company does the same thing, eight months ahead of being made, and there is not a buyer in the United States one week after the prices are published but what knows just exactly what the price is.

Commissioner MARVIN. The real nub of this question seems to be in the possibility of ascertaining the prices of comparable American goods.

Senator SMOOT. I notice in this list here it not only gives the opening price in the spring of 1922 on clay worsteds, but it gives prices all the way from 1908 up to 1922 on the same piece of goods?

Commissioner MARVIN. Yes. It shows a decline in the 1922 prices from the 1920 and the 1921 prices, for instance.

Senator SMOOT. Take 14-ounce clay worsted in the spring of 1921, \$4.02½ a yard; this year they opened at \$2.50; that is, the spring of 1921 was \$4.02½, and for the spring of 1922 the samples made, not the goods, \$2.50.

Senator McCUMBER. And how far back does that go, giving the prices?

Senator SMOOT. It goes back to 1908.

Senator McCUMBER. What was the price in 1908?

Senator SMOOT. \$1.42½.

Commissioner MARVIN. Mr. Chairman, I was saying that it appears to me that the nub of this proposition is the ability to ascertain American prices, the facility with which comparable articles of American manufacture can be ascertained, so far as prices are concerned.

I have here a volume published by the War Industries Board which contains for, I think, 50 commodities the range of prices not only for the United States but for many other countries. The volume is called "International Price Comparisons." In other words, the War Industries Board was able to ascertain prices in the United States of 50 chosen commodities without serious difficulty.

Senator McCUMBER. Have you a table from that volume which you wish inserted?

Commissioner MARVIN. No, sir; I only make use of the volume as an illustration of the fact that American prices can be ascertained if the bureau or body upon which that duty devolves sets itself about the task.

You are all familiar with the United States Department of Labor. Here is a volume giving wholesale prices in the United States of a large variety of commodities from 1890 to 1919. As I understand it, the Bureau of Labor Statistics of the Department of Labor keeps these prices up to date, and probably prices within a month can be ascertained by communicating with them, and in some instances the price is right up to date.

In the census of dyes and coal-tar chemicals, published by the Tariff Commission, is given the prices of American crudes, intermediates, and dyes. In some of our other publications the prices of cotton yarn and cotton cloth have been given, and I submit, gentlemen, if bureaus of this character can ascertain American prices, that the Government is not laying upon the Customs Service, the Board of Appraisers, or the board of examiners any undue burden if we ask them to endeavor to ascertain the value of American articles comparable to those imported.

Everything that enters into trade and commerce has a value or it could find no place in trade or commerce. We enter a store. Our purchase of an article in that store depends upon our idea of the value placed upon it. It has been suggested that American manufacturers might raise their prices to an exorbitant degree in order that the duty upon the imported article might be higher. There are several things that would interfere with a process of that kind, and one of them is the fact the American people would refuse to pay the prices, if they got beyond a reasonable limit. There would be, as we have witnessed recently, a buyer's strike.

Another thing that would prevent an inordinate increase of prices would be the competition of American producers. They would see their opportunity to get the business, and they would get it.

Another reason why a process of that kind could not be carried on is the fact of foreign competition. If you take a foreign article that is valued at 75 cents, an American article that is valued at \$1, the duty on the American value being 25 per cent, that foreign article valued at 75 cents, on payment of 25 per cent duty on the American valuation, would land in this country at \$1.

But, say, to compel the foreigner to pay higher duties the American should raise his price from \$1 to \$2. The duty remains the same,

25 per cent. Twenty-five per cent of the American inflated price of \$2 would be 50 cents. You buy the article abroad at 75 cents just the same; you pay instead of 25 per cent duty on the \$1 value, the same rate on the inflated value, and the foreign article lands here at \$1.25, underselling the American inflated article by 75 cents, making it impossible for any such procedure to prove successful.

Personally, I have given some study to this proposed change, and if I may speak merely personally in regard to it, I should like to be recorded as strongly in favor of the American valuation system. I think that the condition of world business makes it absolutely necessary that this change should be incorporated in the law, not merely for protective purposes but also for revenue purposes; and that this proposed change is just as desirable in a revenue tariff as it is in a protective tariff, for the object of a revenue tariff is to obtain by customs duties the entire amount of revenue which those duties, based upon the proper valuation, will produce.

I was talking sometime ago with a gentleman from New Hampshire in regard to this suggestion, and he said that he had recently an experience that illustrated the value of the change. He had received from a manufacturer, a maker of women's suits, a price on Irish tweeds. That was to be £10. He ordered one of those suits, received the bill for £10, and inclosed with it was a duplicate marked "For customs purposes only," in which the bill was made out for £8.

If in a small transaction like that an inducement to undervalue the import is yielded to, it is not difficult to realize how much undervaluation there is when the invoice may involve thousands of dollars. I have seen many letters from foreign manufacturers saying "Our price will be so and so, but for customs purposes we will send to you a duplicate invoice giving the foreign price at a much reduced figure."

There is unquestionably considerable undervaluation. Duties based upon foreign values, with our opportunity for actually arriving at the real foreign value being so meager, will never produce the full amount of duty that the rates are supposed to produce.

By a change to American valuation there will be eliminated this undervaluation, and even under a revenue law, as well as under a protective law, the rates will produce the full amount of revenue intended.

But so many of the reasons for American valuation have already been put in the record that I will not add to them, and will close my testimony unless there are some questions to be asked.

Senator McCUMBER. Are there any questions that any Senator desires to ask?

(No response.)

The committee is very much obliged to you, Mr. Marvin.

The next on our list is Mr. George C. Davis, special agent from New York.

**STATEMENT OF GEORGE C. DAVIS, SPECIAL AGENT IN CHARGE,
PORT OF NEW YORK.**

Senator WATSON. How long have you been a customs official, Mr. Davis?

Mr. DAVIS. I came into the service as a boy in 1890.

Senator WATSON. And have been with it continuously since?

Mr. DAVIS. Continuously.

Senator WATSON. And what do you do there?

Mr. DAVIS. I started as an opener and packer, became a clerk, examiner, chief examiner, acting appraiser, special agent. I am special agent now in charge of the special agency district of New York, including Comparative Value Report Bureau.

Before touching on the matters that I would like to speak of in connection with the proposed valuation plan, I want to refer to Mr. Marvin's reference to the number of ad valorem rates. He counts a comparatively few number of ad valorem rates through the bill. I have not compared the number of ad valorem rates in this bill with the Payne-Aldrich bill, but I do not think there are many more articles on the free list in this bill than there were in that bill, nor a great many more specific rates. The comparatively few number of ad valorem rates, referred to by Mr. Marvin, however, manages to keep 80 examiners going all the time in New York.

He refers to some of the schedules and gives a small number of ad valorem rates. One ad valorem rate may cover thousands of different articles; for instance, the ad valorem rate on lace. On Calais laces alone, the examiner in New York is keeping track of the market value of 500,000 numbers. One rate on chinaware would cover hundreds of decorations, hundreds of shapes and sizes of china articles.

The catch-all rates on manufactures of metal will cover thousands of manufactured articles; and also the catch-all rate on manufactures of wood. I do not think that merely counting the number of rates is any fair test as to the difficulties that might be encountered in arriving at the American valuation of the articles dutiable at ad valorem rates.

Senator SMOOT. That same thing has happened in every tariff bill, however. There is no change whatever in the American valuation from that of the foreign as to the division of laces or any other items that may be in the bill.

Mr. DAVIS. But 24 rates in one schedule does not mean that there is very little work connected with it.

Senator SMOOT. Of course, the work will be the same as it has been in the past.

Mr. DAVIS. The phases of this valuation plan that I wish to touch upon, are, first, the difficulties of administration and, second, the great difficulties in adjusting the rates to meet the new plan.

The value paragraph, section 402, Title IV, appears to provide for two methods of appraisement—the first part of the paragraph, the value of the domestic article applied to the imported article, when comparable and competitive; the last part of the paragraph, when no domestic value can be ascertained to the satisfaction of the appraising officer, the value of the imported merchandise for sale—going on to explain in many ways how to reach such a value.

In regard to the first method, I think it presents very serious administrative difficulties and requires a careful study of rates to adjust them to the higher valuation basis. The application of this method would require an immediate and exhaustive search throughout the markets of the United States for comparable and competitive domestic articles before the second method could be legally resorted to at all. And before we could determine what "comparable" and "competitive" meant, we would have to probably get judicial decisions, which would take a long time.

Let us face the situation just as it is. The law goes into effect on a certain day; the examiners or the appraising officers will be totally unprepared to meet this situation. I believe one gentleman stated that the appraisers in New York were now studying the proposition and drawing up regulations to put it into effect. I do not think this is true, because they are too busy doing their daily work, and from talks with the various examiners I do not think they have gone into it at all.

The first day the law is passed, they will be faced with finding the value of the domestic merchandise in the United States; as Mr. McNabb stated, the law provides that the importer can come down to the appraisers' stores with his invoice and samples of his merchandise.

Well, all of the importers of New York City that have invoices for merchandise dutiable at ad valorem rates will swarm down on the customhouse the first day; the samples will be given to the examiners; they will want to know what values the appraiser is going to put on those articles. The appraisers could not tell them to save their lives. The best they could do would be to keep those samples and tell the importers to come back later, and it would probably be an interim of several weeks or a month before they could possibly reach or find the comparable domestic merchandise in the United States, make the comparisons, and get the values. Further, the importers could not furnish samples to any appreciable extent.

Senator SMOOT. You do not mean to say the examiners will not do one thing until the morning after this bill passes in establishing American valuation?

Mr. DAVIS. On the day before, Senator, they will be engaged every hour of the day endeavoring to clean up the day's business of the previous act.

Senator SMOOT. There will be, certainly, a collection of samples, and there will be, certainly, a collection of information.

Mr. DAVIS. I doubt it. If the Treasury Department would command them now to do it, they might do it. But they are not doing it.

Senator SMOOT. We will have some information from the Treasury before ever this bill is passed showing the difference between the imposition of these duties under the American valuation and the foreign valuation, or this bill will not be passed.

Mr. DAVIS. That may be true.

Senator SMOOT. Then we will have that much information, anyhow.

Senator WATSON. Is there any way they can be directed to make preparations?

Mr. DAVIS. We have had, during the past three or four weeks, examiners find for us as many American domestic articles compared for valuation purposes with the imported articles as they were able. We have only succeeded in getting in that time from them about 50 illustrations. I have them all tabulated here.

Senator McCUMBER. Mr. Davis, is it impossible for the Treasury Department to just take the list of articles that are in this tariff bill and begin now, through their collectors and officials, to ascertain the present price, or what those things are selling for in the United States to-day?

Mr. DAVIS. That would involve thousands and thousands of articles Senator.

Senator McCUMBER. It would take time.

Senator GERRY. And it would take a great deal of extra help.

Mr. DAVIS. It would take a great deal of extra help. The examiners could not do this while they are doing their daily work.

Senator GERRY. Is not the time of the examiners occupied now?

Mr. DAVIS. The time of the examiners is fully occupied now, Senator.

Senator GERRY. And this additional work would require extra time or other examiners?

Mr. DAVIS. It certainly would.

Senator SMOOT. I was told by the Treasury Department that they had 80 men collecting this very information to submit here to this committee that I have referred to.

Mr. DAVIS. I have the information right here on one phase of the subject. There is another phase of the subject. They are taking the new specific rates in the bill where the former rates were ad valorem and they are making a comparison. This will take them several weeks. They have not that information yet.

But let us suppose that the examiners can, within a few days, get the values of these samples, these thousands of samples. They will have to retain these samples and take a record of values which will mean making invoices of the ad valorem importations that came into New York for that day. When the merchandise arrives and comes before them for examination, they will have to take all of these thousands of samples and check them against the goods in the cases to see if the goods really have arrived, and check them against all of those recorded American prices if they are successful in finding them.

Take the other ports. They will be absolutely at sea. They can not take the American selling price of the importers in their town, because the American selling price of the imported article, if they jump to the second method of appraisement, will probably be taken from the selling prices of the foreign agents in New York, which will mean that the New York examiners, in addition to all the work that they have already, will have to tell appraising officers all over the country what values to use, involving again thousands of samples.

Senator SMOOT. Providing they all come in on that particular day.

Mr. DAVIS. The merchandise will come in.

Senator SMOOT. That is not every kind of article.

Mr. DAVIS. In one day in New York you will get articles from practically almost every large line of merchandise.

Senator SMOOT. Your position is that this never can be changed?

Mr. DAVIS. No; that is not my position; but if it is going to take two or three weeks or a month to get this information, you will have the merchandise tied up tighter than a drum.

Senator SMOOT. You will have three months before ever this bill is in operation from to-day.

Senator GERRY. Do you think you can get this information in three months?

Mr. DAVIS. For practical purposes of appraisement I do not think we can.

Senator WATSON. Even with a greater force? Suppose you could select the men you wanted and the number of men you wanted; could you not then do it?

Mr. DAVIS. We could undoubtedly gather a great deal of very valuable information.

Senator WATSON. Then it is not because of the insuperable difficulty per se, but because of the lack of the force to do it and the time in which to do it?

Mr. DAVIS. That is true; but the other great difficulty would be establishing this comparability.

Senator WATSON. That you never can do until the goods begin to come in. Of course, you can not make the comparison off-hand, but you can be prepared to do that.

Senator LA FOLLETTE. That will necessarily be a pretty slow process, will it not?

Mr. DAVIS. It will be a pretty slow process.

Senator WATSON. It is bound to be for a while.

Mr. DAVIS. Mr. Marvin referred to some price list. The chances are that it took some time to gather that information, perhaps months.

Senator SMOOT. If you have reference to the wool price list that he put in the record, everybody had that after the American Woolen Co. opened their samples.

Mr. DAVIS. Very likely price lists of that kind are published, but I do not think a serge weighing 4 ounces is necessarily going to be comparable to an English serge weighing 4 ounces.

Senator SMOOT. It would if it was a clay serge.

Mr. DAVIS. They have got to determine all that.

Senator SMOOT. That is in the list. They have got to determine exactly what kind of worsted it is.

Mr. DAVIS. They have got to determine the kind of wool that is in it.

Senator SMOOT. That is determined by the name of the worsted.

Senator LA FOLLETTE. And they have got to determine it by a comparison, piece by piece?

Mr. DAVIS. They have got to determine it by a comparison, piece by piece, with imported woollens to see if the finish is the same.

Senator SMOOT. I hope you will not have any more trouble with other goods than you have with worsted or woollen goods, because there is no doubt that that can be done.

Mr. DAVIS. I think the trouble in the woollen line would be less than it would be on a great many other lines.

Senator GERRY. That requires a trained examiner, does it not?

Mr. DAVIS. Yes, sir.

Senator GERRY. And then if you try to expedite matters by increasing your force you would have to put a lot of green men on?

Mr. DAVIS. And they would be worthless.

Senator GERRY. So you really would not be able to save a great deal of time even by increasing your force?

Mr. DAVIS. Probably not, but we could save a certain amount. Among our clerks we could find men sufficiently trained to be of a great deal of assistance to us.

Senator GERRY. But it would be a long process?

Mr. DAVIS. It would be a long process, in my opinion.

Senator GERRY. Which would mean a block?

Mr. DAVIS. I think it would.

The next question that arises is that appraisement is to-day, and always has been, based upon a 10 per cent examination of the

merchandise, on the assumption that if 10 per cent of the merchandise is properly described upon the invoices, if the facts stated upon the invoices are true and the values are correct, it is a fair assumption that the other 90 per cent is also correct. That has been the basis of our appraisement ever since we have had ad valorem duties.

Under this plan it will be necessary, at least, in the beginning, probably for months to come, for the appraiser to see most of the merchandise.

The New York appraisement stores will only hold about 8 per cent of one day's importations—no more. That pretty well crowds the building. If the examiners have got to view the other 90 or 92 per cent—

Senator SMOOT. Why have they got to do it? Are they going to be more dishonest after this bill goes into effect than they are to-day?

Mr. DAVIS. Your invoice is worthless, Senator. The invoice states the price paid for the foreign article. It does not state the American price.

Senator SMOOT. No; we agree to that, but the goods are invoiced, and if they are invoiced they are the same as they are to-day.

Mr. DAVIS. But in order to get at the value of the merchandise in the case that does not come in, the appraiser will have to get the case and open it to get a sample of the goods.

Senator SMOOT. He does to-day.

Mr. DAVIS. No; only the 10 per cent.

Senator SMOOT. Then why does not the 10 per cent answer in this case?

Mr. DAVIS. Because you have an invoice which shows prices paid, and the price paid for an article in the absence of anything else is conclusive as to its value, particularly if the prices of the merchandise before you are correct.

Senator McCUMBER. Do you not also have the invoice of what the article is?

Mr. DAVIS. The article is described; yes.

Senator McCUMBER. And if you find that 10 per cent is a fair estimate of accuracy, would it not apply just as much in determining whether the article were of the kind described as it would as to the value?

Mr. DAVIS. The articles in the other cases are different kinds of articles.

Senator McCUMBER. But they are described.

Mr. DAVIS. They are described; yes, but not sufficiently to appraise without seeing them; and as every one of the appraisements will be litigated, probably, to begin with, the appraiser will have to have a sample of every quality and every kind of merchandise.

Senator SMOOT. Do you mean to tell me that if an invoice comes in just now of 20 different kinds of goods you would take one-tenth of it and just examine two kinds of these goods to find out whether the values are right or not?

Mr. DAVIS. Practically, yes; with a record check against the other items.

Senator SMOOT. Then you entirely rely upon the honesty of the foreign exporter?

Mr. DAVIS. That has been the system. If you want another system you will have to have a standing army to do the work.

Senator SMOOT. I would just as soon use the same system. I do not think our manufacturers are any more dishonest than the foreign manufacturers are, and I will take their word just as quickly as I would that of a foreigner.

Mr. DAVIS. That may be true; but you will find that 99 per cent of prices paid for foreign merchandise is either foreign market value or more.

Senator SMOOT. Then will you have any more trouble under this valuation at all? I can not see that there is a particle of difference in it.

Mr. DAVIS. But we will not have an invoice, Senator. All we do now is to check the values to see if they are correct.

Senator LA FOLLETTE. And you are driven to take samples.

Mr. DAVIS. Under this plan we will have to make invoices; we will have to put down the values of all articles, and at first undoubtedly take samples of all.

Senator SMOOT. You will have an invoice as to the foreign price, just the same as you have got it now. But upon that invoice you have got to put an American valuation for duty purposes. You will have the same invoice that you have now. The only thing that you are required to do on that invoice that you do not do to-day is that you have got to put an American valuation instead of a foreign valuation on it.

Mr. DAVIS. And that is a tremendous task, setting down all of those thousands and thousands of prices upon thousands and thousands of invoices. All that can be done, Senator. I do not say it can not be done. I am only showing you the difficulties that will undoubtedly arise in attempting to do it.

Senator LA FOLLETTE. And you say it will take a standing army to do it?

Mr. DAVIS. If you are going to look at practically all the merchandise, it certainly would.

The CHAIRMAN. Mr. Davis, the great drawback about the present system, as I understand it, is the lack of a sufficient force of appraisers in Europe, is it not, or of investigators, or whatever you call them?

Mr. DAVIS. That, in my opinion, is one of the principal difficulties to-day.

The CHAIRMAN. You have only some 7 or 8 or 10 now?

Mr. DAVIS. Six.

The CHAIRMAN. And how many ought you to have?

Mr. DAVIS. At least 15.

The CHAIRMAN. If you had a large force of that kind, say 25, could you not operate quite effectively under the present system?

Mr. DAVIS. I think that if we had a force of 25 we would get an accurate market value of practically all merchandise in the world that has a market value, without a doubt.

The CHAIRMAN. And you would be operating under a system that has been the subject of legal decisions for 50 years?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. More or less.

Mr. DAVIS. Yes, sir.

The CHAIRMAN. So that there would be no new litigation to be introduced.

Mr. DAVIS. No, sir.

The CHAIRMAN. I have nothing more to ask.

Mr. DAVIS. There is another serious question of administration——

Senator SMOOT. Senator Penrose, we will be operating under a system in which we can not put a penalty high enough to take care of the difference in the exchange value of foreign moneys.

The CHAIRMAN. Why?

Senator SMOOT. Because you can not do it. Three hundred per cent will not make the difference between the gold value to-day of a mark and the purchasing value of a mark in labor and goods in Germany.

Senator WATSON. If you did, the American people would misunderstand it and not stand for it at all.

Senator LA FOLLETTE. If you did, they would understand it.

The CHAIRMAN. We do not want to give them something they will not understand.

Senator SMOOT. You would give Austria and Poland and Germany and that class of countries an advantage so that they would shut out England and France and Belgium and Italy. They would have no chance at all to import goods here, as long as Germany and Austria and Poland could make the goods.

Senator LA FOLLETTE. You would give those countries that have been destroyed an opportunity to rehabilitate themselves and buy some of our products.

Senator SMOOT. Germany is in better condition than any country in the world to-day.

Senator LA FOLLETTE. She is in a very fortunate position in one respect, she is not maintaining a standing army or building a navy, thereby placing an extra load upon her taxpayers.

The CHAIRMAN. I simply wanted to ask the witness what he could do under the present system.

Mr. DAVIS. I think the present system can be greatly improved, but I do not think that this is a practical improvement.

Senator DILLINGHAM. Do you base your objection to the proposition in this bill upon the amount of work that it would make the appraisers, or the difficulty?

Mr. DAVIS. The difficulty, first, Senator. I do not say that it can not be done, but I do know the great difficulty which will face us in the beginning. I do know a week's delay or a two week's delay will tie up the import commerce of the United States to a serious extent.

Senator SMOOT. There will be a great deal of work in order to put it into operation. Anybody that knows anything about the customs service knows that; but I take it for granted that if it is decided by this committee there will not be a day lost in the Treasury Department in getting this information, so that by the time the bill is in operation the greater part of that information necessary can be collected. It certainly can be collected upon the ordinary lines of goods that come into this country, the value of which everybody knows, not only in this country, but foreign countries, and which perhaps amount to 75 per cent of all the importations. I recognize the fact that when novelties come in and articles that would be hard to find a comparison for with goods made in this country, it would take some time, and perhaps give the importer some little trouble to get his goods through the customs service in a proper way.

Senator McCUMBER. Mr. Davis, if you, under the present system, should receive 20 boxes of serge goods, described with the number of

ounces per yard of each kind, and you should open two boxes and should find them correct, would you accept the other 18 as being correct?

Mr. DAVIS. Yes, Senator.

Senator McCUMBER. And that is your system, examining 10 per cent?

Mr. DAVIS. Yes, sir.

Senator McCUMBER. Then if you found them correct and relied upon them as to the price, would not you also rely upon the contents of the invoice of the other 18 boxes as to the character; and if you could rely upon the character by an examination of 10 per cent, why would it be difficult, then, to apply the American price simply to those things as described?

Mr. DAVIS. If that was one line of merchandise, Senator, say 10 cases of wool goods, wool cloth of various qualities, undoubtedly the description upon the invoice could be relied upon for the other 8 cases; and if the American prices were known for those various cloths, those prices could be set down upon the invoices. For instance, we have invoices coming in, combination invoices, and there will be almost everything under the sun in the cases—all kinds of merchandise, china in one case, woodenware, perhaps, in another, toys in another, cutlery in another for the large department stores. The examiners do check the values of the cases that do not come in with their records of foreign value. They do do that, and in many, many instances, where they are in doubt, they order in cases for examination. I am speaking of the more or less miscellaneous shipments. On straight lines of merchandise you can depend, as a rule, upon the invoice description for the balance that does not come in.

Senator McCUMBER. If you have the correct description even of the miscellaneous goods in the other 18 cases and you could rely upon that by a description of two cases, it would seem to me that you could apply the American valuation with no more trouble now than you ascertain whether the foreign valuation is correct.

Mr. DAVIS. That question would be litigated, because the courts have now held that you can not appraise merchandise that you do not see.

Senator SMOOT. But you are doing it.

Mr. DAVIS. No; if we do not disturb the values of the items not viewed there is no contest. If we do, however, we must order in the goods and view them.

Senator McCUMBER. You simply approve the invoice character of the goods—

Mr. DAVIS. Under this plan we must set down entirely new values. At the beginning of the law and for some time to come probably every one of those values would be litigated. They would be attacked by the importers, or, on the other hand, perhaps by the American manufacturers under the other feature of the bill. So the appraisers, to protect themselves, would have to have samples of the merchandise.

There is another feature that is worthy of attention. We have to-day over one hundred and thirty millions of dollars' worth of merchandise coming in through the mails, parcel post.

Senator DILLINGHAM. Annually, you mean?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. Through the mails?

Mr. DAVIS. Yes, sir, by parcel post—over a hundred and thirty million dollars' worth of merchandise. It is becoming a very serious question. Most of this merchandise is examined in the post offices. The examiners that examine these parcel-post shipments have to depend in a great measure upon the declarations of the values that accompany the merchandise, and experience has shown us that those declarations as a rule represent foreign market value or more, and wherever the examiners suspect that the value is too low—and they have a splendid sense of values—they get the importer of the parcel-post package and get his private invoice to see what he has paid for the merchandise. The private invoice would be worthless to the appraiser under this system. The declaration would be worthless to him.

Senator SMOOT. How does he arrive at the foreign value? Is it not by finding out the value of the goods that the American store is selling?

Mr. DAVIS. No, sir.

Senator SMOOT. How does he get it?

Mr. DAVIS. He has a system of records. He is constantly in touch with the particular expert in the appraiser stores that examine the particular line that comes in regularly. He has his records of the foreign value, but that does not cover all the merchandise. For a great percentage of it he trusts to his sense and the truth of the declaration.

That is a serious situation.

Senator SMOOT. Take fourth-class, third-class and second-class postmasters. They know very little about the value of goods in a foreign country.

Mr. DAVIS. They do not do the appraising. We have our own men to do the work.

The CHAIRMAN. You have mentioned an importation of great magnitude. I suppose the average value of these parcels is comparatively small, is it not?

Mr. DAVIS. As compared with the freight shipments they are comparatively small.

The CHAIRMAN. It must make the expense of collecting the duty very considerable, I should think.

Mr. DAVIS. The expense for parcel-post examinations is heavy.

The CHAIRMAN. Almost out of proportion to anything the Government gets out of it, I would imagine.

Senator LA FOLLETTE. You stated the value at about a hundred and thirty million dollars annually, did you not?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. How would those parcels run in average value?

Mr. DAVIS. I do not know.

The CHAIRMAN. Take the average of the whole aggregation. Have you any idea what it would average—\$5 or \$1 or \$10, or what?

Mr. DAVIS. Diamonds come in the mails.

Senator WATSON. How much revenue did you get from them last year and what did it cost to collect it?

Mr. DAVIS. I have not the figures on that.

The CHAIRMAN. You mean the shipments are of a commercial character that are sent through the post?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. I did not know whether they were what you might call of a social character, that is, some article sent to a friend.

Mr. DAVIS. No, sir; I am not taking into account the tremendous amount of ordinary and registered mail that we also get. All of that would have to be appraised on the American valuation plan, too, but they are small shipments and comparatively of small value.

Another difficulty would be in passengers' baggage all over the United States, amounting to many millions of dollars, with thousands of small shipments coming over our northern and southern borders. That class of merchandise is not handled by experts. We could not have enough experts in the country to stretch all along our northern and southern borders.

Senator SMOOT. They take their word for the values?

Mr. DAVIS. To a certain extent they do. Since we have established the C. V. R. Bureau they are checked up. Before that there was absolutely no check on that class of merchandise.

Domestic comparability I think is extremely difficult to define, but if it were clearly defined I think it is more difficult to practically apply. To value one article from the price of another, the articles, in my opinion, must be identical. If they vary in size, material or structure the comparison ceases for value purposes, unless elements of cost of production in widely dissimilar markets are analyzed so that adjustments in value can be intelligently made.

Senator SMOOT. How do you do it with foreign importations?

Mr. DAVIS. We do not have to compare them, sir.

Senator SMOOT. You have to compare them in order to arrive at a value?

Mr. DAVIS. We do not have to compare them with something else. We have to find out the facts, what they sold for in the open market. Occasionally we do compare an imported article with a similar imported article, imported by somebody else. It has got to be the same thing. Appraising officers in general have neither the time nor the ability for these comparisons, and if they did, probably each appraisalment would be litigated every step of the way.

Let me give you one example.

In one case the examiner had an imported Japanese doll. He tried to find out if there was a doll made in the American market comparable and competitive. He found one. If you should lay the two dolls side by side it would be difficult to tell one from the other. They were both made of celluloid. They were both of the same size. They both had the same style of hair and the same style of features. The American made article sells for \$32 a dozen. The imported article sells for \$22 a dozen. The chances are that the examiner would apply \$32 to the \$22 article. A close inspection was made of the article, with this result, that the American-made article weighed nearly twice as much as the foreign made article. In other words the celluloid in the foreign article was very, very thin, while the celluloid in the American-made article was much thicker. That looked like an ideal comparison. In finding comparable merchandise you are going to run into that kind of thing all the time.

Senator SMOOT. You can take a piece of 12-ounce cloth and a piece of 14-ounce cloth and lay them upon this table, and I defy any man living to tell how much difference there is between the two pieces of

cloth. You could not look at them and see the difference; you have got to weigh them.

Mr. DAVIS. Nor can you appraise 12-ounce cloth as against 14-ounce cloth unless you take into consideration the finish and weight.

Senator SMOOT. It may be finished in exactly the same way. They may have exactly the same cloth; they may have the same pick, the same number of threads in the warp, but there will be that difference in the spinning of it. That is what makes the difference as between the 12-ounce cloth and the 14-ounce cloth. You have got to weigh it at the time.

Mr. DAVIS. But you could not appraise that doll on the value of the imported article?

Senator SMOOT. Certainly.

Mr. DAVIS. Well, how could you do it?

Senator SMOOT. They are not comparable in that one is heavier than the other, but—

Mr. DAVIS. You could not use the value of the American article and apply it to the imported article.

Senator SMOOT. No.

Mr. DAVIS. Then your comparison ceases.

Senator SMOOT. If the weights were the same?

Mr. DAVIS. You would have to go to Japan to get the cost of the doll.

Senator SMOOT. You could go to the manufacturer in America and ask what a doll of that kind would cost, just the same as a cloth manufacturer can tell you what is the difference between these different pieces of cloth.

Mr. DAVIS. That might be done, but who has the time to do it?

Senator SMOOT. I do not know about the doll, but I know you can get information in a few hours with reference to the cloth.

Mr. DAVIS. The gentleman who has the doll may have a thousand other articles on the same day. Adjustments for differences will take a long time.

Senator SMOOT. Of course, it will take time. This can not be done in 15 minutes. We all know that.

Mr. DAVIS. I am pointing out the administrative difficulties.

Senator SMOOT. What you say is true. It has to be met.

Mr. DAVIS. I think it is true.

The instances where you are going to find comparable articles are going to be few, except as to some articles and raw materials. As to raw materials that take the ad valorem duty, if we have such a thing, or there is such material in the United States, I think that can be readily located and a price readily set.

Senator WATSON. Did you appear before the Ways and Means Committee of the House?

Mr. DAVIS. Not on this bill.

Senator WATSON. You did not appear to answer questions on this particular bill?

Mr. DAVIS. No, sir.

Senator WATSON. You were not examined on this question by that committee?

Mr. DAVIS. No, sir.

Appraising at full domestic valuation requires a material reduction in rates, based for many years past on foreign market values, to escape making such rates prohibitory. Unless these rates are care-

fully analyzed, they may become prohibitory. It is not seen how this can be fairly done unless American prices and foreign prices are known and compared and rates adjusted according to the differences between them.

The appraiser at New York has furnished data, consisting of some fifty articles of importation as closely comparable to domestic articles as he could find, showing the American selling prices of the imported and domestic articles.

The first article is cotton embroidery from Switzerland. The imported article sells for 9 cents; the American article for 8.5 cents per yard. The rate under the act of 1909 was 60 per cent; under this act it is 60 per cent, and under the new bill it will be 37.5 per cent. The amount of duty that would have been collected under the Payne-Aldrich act on the same valuation would have been 2.5 cents; at the same valuation under the 1913 act it would have been 2.5 cents, and under the new bill carrying 37.5 per cent, at the domestic price the duty would be 3.1 cents. Consequently, the rate, which has been reduced from 60 per cent to 37.5 per cent, is not a reduction but an increase of 24 per cent.

Senator SMOOT. That may be true.

Mr. DAVIS. In going through this list, I find these irregularities and inequalities that come about through an attempt to set up rates under this mathematical formula which has been given.

Senator SMOOT. Will you give me those figures again?

Mr. DAVIS. Nine cents a yard was the Switzerland price.

Senator SMOOT. The American price was what?

Mr. DAVIS. Eight and five-tenths cents per yard.

Senator SMOOT. And what is the rate under this bill?

Mr. DAVIS. Thirty-seven and five-tenths per cent. The rate under the old bill was 60 per cent.

Senator SMOOT. Then you say that under the Payne-Aldrich bill it was what?

Mr. DAVIS. Sixty per cent.

Senator SMOOT. Yes; I know that it was 60 per cent, but I mean the amount of money?

Mr. DAVIS. Two and one-half cents a yard.

Senator SMOOT. The Underwood bill was 60 per cent?

Mr. DAVIS. Sixty per cent, bringing the same amount—2.5 cents.

Senator SMOOT. On the Swiss valuation of 9 cents, how do you make 2.5 cents? It is really 5.4 cents.

Mr. DAVIS. Oh, this is the selling price of the American article in the United States. The 60 per cent was taken on the foreign value.

Senator WATSON. Just explain what you mean.

Mr. DAVIS. The amount of duty was 2.5 cents per yard. The 60 per cent was 60 per cent of the foreign value of the article at that time.

Senator SMOOT. If it were 2.5 per cent on that, it would be less than 4 cents a yard.

Mr. DAVIS. You take the——

Senator SMOOT. On the foreign value. That would be 2.40; 60 per cent of 4 cents is 2.40.

Mr. DAVIS. Yes.

Senator SMOOT. So it would be 4 cents a yard.

Mr. DAVIS. A little over.

Senator SMOOT. Did that sell for 9 cents?

Mr. DAVIS. Nine cents.

Senator SMOOT. There is no profit.

Mr. DAVIS. Duty, freight, insurance, importers' overhead, and a fair profit practically doubles the foreign value.

Senator SMOOT. This article sells for——

Mr. DAVIS. At the present time for 8.5.

Senator SMOOT. But I do not want the present time.

Mr. DAVIS. Of course, under the act of 1909 it was lower.

Senator SMOOT. What was the selling price of this same lace under the Payne-Aldrich bill?

Mr. DAVIS. I do not know.

Senator SMOOT. It was not 8.5 cents?

Mr. DAVIS. No; it was less.

Senator SMOOT. More than likely it was about 4 cents.

Mr. DAVIS. It may have been.

Senator SMOOT. It would be 37.5 per cent on that instead of 37.5 as you have it now.

Mr. DAVIS. But wait a minute. The market value would have been lower at that time, too.

Senator SMOOT. Yes; but you are attempting now to compare it one way, and you are bringing it up to these prices—that is, to-day's prices—high wholesale prices. That is not fair.

Mr. DAVIS. The relationship is the same. Sixty per cent of the foreign value is $2\frac{1}{2}$ cents; $37\frac{1}{2}$ per cent of American selling prices is 3.1 cents, a higher rate, not a lower.

Senator SMOOT. If the relationship is the same, then, of course, it ought to be 60 per cent of 9 cents. You have got to work it both ways; you have got to do it in each case just alike.

Mr. DAVIS. Of course, it would be impossible to go back and get the prices in 1909. I have assumed that the relationship, as it relates to the article, has been the same, and I think it is. The foreign price was lower at that time.

Senator SMOOT. Then it would not be applied because in one case it would be 37.5 per cent under this bill and the other way it would be 60 per cent.

Mr. DAVIS. But it would not make a great difference in the equivalent of this particular article.

Senator SMOOT. It would make no great difference wherever the foreign price is greater than the American price, but the principle is this, that if the American price is higher than the foreign price then, of course, with the old rate named in the bill it would result in an increase in the duty. There is no doubt about that. Nobody is denying that at all.

Mr. DAVIS. But I thought the effort was to get the reduced rate to the same equivalent, and the higher rate of 1909——

Senator SMOOT. It will be a lower rate.

Mr. DAVIS. It will be lower or should be.

Senator SMOOT. There is no doubt about that. No one in favor of the American valuation plan will say that.

Mr. DAVIS. My purpose in showing the figures was to demonstrate the inequalities that will come up, to show that the rates under this mathematical formula will make a great many articles prohibitory.

Senator SMOOT. If we use the same old ad valorem rate.

Mr. DAVIS. Yes; if we use the same old ad valorem rate.

Senator SMOOT. That is true.

Senator LA FOLLETTE. You mean the ad valorem rate fixed in this bill, do you not?

Mr. DAVIS. Yes. How can rates be adjusted to fit the true conditions?

Senator SMOOT. On the other hand, you could not put the rate in here high enough to protect certain manufactured goods here against a 1.3 cent mark.

Mr. DAVIS. The value of the mark has gone down, but it takes a great many more marks to buy the articles.

Senator SMOOT. Every gold mark they give they get three times the amount of labor for.

Mr. DAVIS. True. The figures show that the gold value of the German article had gone up for home consumption, and the other value had gone up—

Senator SMOOT. The exportation value, you mean?

Mr. DAVIS. And the home value.

Senator SMOOT. But not as much. If they want to cut the exportation value, they can take the trade. There is no doubt about that.

Senator LA FOLLETTE. Go ahead, Mr. Davis, and give us the figures you have there. We want them in the record.

Mr. DAVIS. I would like to put them in.

I agree with you, Senator Smoot, that in order to get an accurate comparison you would have to get the prices of 1909, but the purpose of the figures is to show the tremendous inequalities that will crop up.

Senator SMOOT. I know that.

The CHAIRMAN. What is the highest rate you figure in the present bill, the bill before this committee, under the system of valuation that has been adopted?

Mr. DAVIS. Here, for instance, is an imitation pearl necklace. The equivalent, applying the same valuation to the 1909 act, makes it 700 per cent higher.

Senator McCUMBER. Let me see if I understand you. You have taken, however, the cost of that pearl necklace in 1909—the foreign value?

Mr. DAVIS. No, sir; I have taken the value to-day.

Senator McCUMBER. You have taken the value to-day?

Mr. DAVIS. Yes.

Senator McCUMBER. And you have compared it, then?

Mr. DAVIS. And applied the 1909 rate to that value to-day to see how much duty it gives us. I have applied the new rate to the same value to see what the result will be and have compared the two.

Senator WATSON. What are your conclusions?

Mr. DAVIS. My conclusion is that the system employed to reduce the rate is not going to fit the conditions.

Senator SMOOT. In some cases?

Mr. DAVIS. In the majority of cases, Senator.

Senator SMOOT. I think "majority" will be right. I think they have got to, as long as the exchange exists as it does in foreign countries to-day. I said yesterday and I say now that the tariff which we pass to-day is not going to stay on the statute books if the conditions

of exchange in the foreign countries are improved within the next three or four years. There will be an amendment to this bill if the American valuation goes into effect.

Mr. DAVIS. How will the application of the American selling prices affect the exchange proposition?

Senator SMOOT. Well, because wherever the exchange is low it will work in this way. For instance, Austria, Poland, and any of the Czecho-Slavic nations can make goods cheaper than it would be possible to if their market and their money were on a parity with our money, or if there were no greater difference than there was under the Payne-Aldrich bill. The country that has a low value of money or has cheap money can make goods more cheaply than the country that has money worth 100 cents on the dollar, as we have.

Mr. DAVIS. Yes; but the low costs would be there just the same.

Senator SMOOT. No; they would not.

Mr. DAVIS. That is, to buy the goods a man would buy at the same price.

Senator SMOOT. We will take Germany as an example. When the German mark was 24 cents, it was 24 cents in gold.

Mr. DAVIS. Yes.

Senator SMOOT. They could not purchase any more labor in Germany with a mark then than they could with 24 cents in gold. To-day they can purchase more than three times as much with gold as a mark will bring in.

Mr. DAVIS. In Germany?

Senator SMOOT. Yes. And in Poland it is just as bad.

Mr. DAVIS. But appraising the American selling price will not alter that?

Senator SMOOT. Yes; because the goods are to be sold in this country.

Mr. DAVIS. But the cost remains the same, and that cost to-day in gold is much higher than in 1914.

Senator SMOOT. The other way it would be the value in a foreign country.

Mr. DAVIS. But if these German goods are the same character of goods as goods coming from England or some other country, you may shut off goods coming from England or some other country.

Senator SMOOT. Yes; that is what you will do.

Mr. DAVIS. Then, you are giving the German a wider field and he can stand higher duties.

Senator SMOOT. And then you let England in. He will always be in a position to cut the market.

Mr. DAVIS. Yes; but I think he will be in the same position under the American price plan because the difference would not bring the Germans up to the American prices. They could still undersell. The Germans would not deliberately raise their prices over American prices, just to let English goods in.

Senator SMOOT. But it will help.

Mr. DAVIS. Yes, it will help; but it will raise the others, too.

Now, the second method of appraisement is this: If the domestic value can not be found to the satisfaction of the appraiser, he then finds the value of the imported articles for sale. I will admit that I do not understand this paragraph in regard to that.

Senator SMOOT. That is section 402.

Mr. DAVIS. Yes. It is to the effect that when such value can not be ascertained to the satisfaction of the appraiser it may be ascertained by taking the value of the imported merchandise on said date for sale, whether or not there shall be an actual sale. That means to me that if there is an actual sale that the sales price would be taken irrespective of what the balance of the paragraph says. Now, if there is not an actual sale, but there is an offer for sale, the offer would be taken, irrespective of what the balance of the paragraph says.

Senator SMOOT. That is, whatever the article was that was offered for sale at that time or on that date, in case there was no sale, then that should be the price.

Mr. DAVIS. But according to the reading of the paragraph that price should not be the accepted valuation until after he had borne in mind the legislative intent of the Congress and reached its fair value.

If that value for the sale, in his opinion, is not a fair one—and just what a fair value is I do not know—he would not necessarily have to take it under this paragraph. Then he is allowed to do almost anything. It says he shall take into consideration, among other matters, the selling price of the domestic article. Well, if he has the selling price of the domestic article, he goes back to the first method and takes that, or he takes into consideration the cost of materials in the domestic article, and he considers that, or he takes the foreign market value, and he either adds expenses or costs and duties, or he does not add them, just as he pleases. I think you cut out a tremendous job for the appraiser.

Senator SMOOT. There are few articles that fall within this class.

Mr. DAVIS. I think there are a great many. There are enough to make it troublesome.

Senator SMOOT. There are not so many articles, I think.

Mr. DAVIS. If the appraiser should take the sale price of the imported article, the tendency would be, provided he takes it gross, to drive every American wholesaler and every American jobber out of business, because that would enable the agent of the foreign manufacturer to come into the United States and sell direct in the United States, because the overhead of the agent would be very much less than the overhead of the American wholesaler. The tendency would be to drive out the American wholesaler and bring in the foreign agent or the branch house, taking only their foreign mill profit.

Senator SMOOT. The foreign manufacturer, if he undertook to do that, would find that those are all the goods that he can sell in this country. No merchant in the United States would buy of him if he undertook to sell goods in this country.

Mr. DAVIS. But it is done widely to-day, not for the same purpose but to disguise the foreign values in a closed market. The foreign agents sell many lines right in this country.

Senator SMOOT. Not to the retailer.

Mr. DAVIS. Oh, yes; often to the retailer.

Senator SMOOT. Then he does not sell to anybody else.

Mr. DAVIS. Plenty of agents sell to the retail stores, but even if he sold to the wholesaler, that would prevent houses out in the Middle West selling to their wholesale trade, because it would have a tendency to lower that import price and would enable him to pocket the difference in the duty, as the duty would be less.

Senator SMOOT. There are three or four ways of arriving at the value. I take it for granted that the American appraiser would be interested in arriving at the true value of the goods.

Mr. DAVIS. The only value he could use would be the sale value in the absence of domestic merchandise.

Senator SMOOT. That is the best value you can possibly have.

Mr. DAVIS. Yes, that is the sale value of the agent.

Senator SMOOT. That would be exactly the same in any case. That would be the sale value on American goods. There is no sale value on foreign goods.

Mr. DAVIS. This provision would have this tendency.

Senator SMOOT. We could make that clearer by changing the wording in such a way that there would be no question about it.

The CHAIRMAN. I want to endeavor to pursue the subject with an open mind. I am merely seeking information. I recognize fully the difficulties of the situation.

I am informed—and I make the inquiry—that there is in the pending bill a duty on dried egg yolks which undertakes an increase of 1,200 per cent over the duty carried in the Payne-Aldrich bill. Do you recall whether that is correct or not?

Mr. DAVIS. Yes, I have heard the facts on that.

The CHAIRMAN. There would be that increase?

Mr. DAVIS. The market value to-day is 16 cents a pound, and the duty under the present bill is 20 per cent ad valorem, making 3.2 cents duty. The rate under the new act is 15 cents a pound, as compared with the duty under this act, of 3.2 cents, or an increase of about 11 or 12 cents.

Senator LA FOLLETTE. That is, if you applied to that product to-day the Payne-Aldrich bill.

Mr. DAVIS. No, the rate under this new bill.

Senator LA FOLLETTE. I understand, but I say you would have the difference that you have mentioned if you should apply the Payne-Aldrich bill and this bill to the values of to-day?

Senator SMOOT. It is less than 500 per cent.

Mr. DAVIS. It is an increase of 11.8 over 3.2.

Senator SMOOT. The difference is four hundred and some per cent. I can give it to you exactly. It is 420 per cent. What is the value of the dried egg yolks to-day?

Mr. DAVIS. Sixteen cents a pound, I am informed. That is the market value.

Senator SMOOT. What was it under the Aldrich bill?

Mr. DAVIS. I do not know.

Senator SMOOT. That would tell a better story.

Mr. DAVIS. Fifteen cents about is nearly 100 per cent.

Senator SMOOT. The rate is altogether too high.

Mr. DAVIS. Yes.

Senator SMOOT. But you would have to have the rate at the time of the bill to get it right.

Mr. DAVIS. That is, compared with the act of 1913.

Senator SMOOT. That is the Underwood bill.

The CHAIRMAN. The representatives of an industry were here the other day seeking a provision for an increase, but they were too late. I do not imagine for a moment that they asked for such an increase as this.

Senator SMOOT. The dye people asked for a greater percentage than this.

Senator LA FOLLETTE. You have more data, have you, Mr. Davis?

Mr. DAVIS. I have suggestions in regard to changes in the present valuation system.

The CHAIRMAN. You say you have suggestions as to the correction of the present system?

Mr. DAVIS. Yes.

The CHAIRMAN. I would like very much to hear them.

Mr. DAVIS. My suggestion is that the American manufacturer come forward with his domestic product and show the comparability of that product to the imported article that is in competition with it. In other words, where there is an article made in the United States practically comparable with an article made in a foreign country, appraise the imported article and no other at the domestic price, but not gross; take out of the domestic price the freight, insurance, and other transportation expenses incurred in bringing the imported merchandise to our shores; the duty and a reasonable profit and expense not to exceed, say tentatively, 8 and 8 per cent. You are then building from the American selling price of the domestic article a pretty fair and constructive foreign market value to be applied to the imported article that is directly comparable to the American-made article, eliminating foreign value and all possibility of undervaluation. In instances where the interested party comes forward to some one—and I should say preferably the Secretary of the Treasury—and shows the comparability, then let the Secretary of the Treasury proclaim this article if it is comparable and all such articles coming from foreign countries, appraising on the value of the domestic article less the deductions. Appraise the balance of importations at the foreign market value except—

Senator LA FOLLETTE. And increase the number of Treasury attachés.

Mr. DAVIS. Certainly, increase the number of attachés. There is another large class of merchandise that comes into this country that is sold in the United States by the agents and branch houses, with foreign markets closed to the American. He can not go to the market and buy. That class of merchandise should be appraised at the American selling price of the imported article. Take out of this price the duty, the expense of bringing the merchandise to our shores, and, if it is not sold, not more than 6 per cent commission. If actually sold, 8 and 8 per cent for profit and overhead. In this way we will be getting the full duty on all the money that is sent back to that foreign manufacturer. To-day we are not getting it in some closed market lines.

This would be my suggestion for the American selling price plan, and I consider it practicable from an administrative standpoint. It would give the American manufacturers protection on the articles they make that are comparable.

Senator SMOOT. You would have under that plan to do not only everything that is required under this law—section 402 of this bill—but you would then have to go further and deduct the freight, the duty, and the expense.

Mr. DAVIS. That is very simple.

Senator SMOOT. But it is that much more than under existing law.

Mr. DAVIS. It would apply to only a relatively small proportion of our imports.

Senator SMOOT. So will this apply to a relatively small proportion.

Mr. DAVIS. This paragraph of the House bill applies to everything that is imported.

Senator SMOOT. That, as you know, applies on a great deal of the merchandise imported into this country.

Mr. DAVIS. Yes; but under my plan we have given the appraiser something to stand on. There is solid ground here. Find the fair value? Keep in mind the legislative intent of Congress? Just what does this mean? We do not know what the legislative intent is.

Senator SMOOT. Your suggestion, I think, that it should be put in the form stated, would be better than the form we have here.

Mr. DAVIS. That is what I think.

Senator SMOOT. That, I think, is true; but I think you are bringing in another equation.

The CHAIRMAN. If the committee changes this valuation and amends the bill along the lines you suggest, Mr. Davis, will it not require a rewriting of the duties rather largely?

Mr. DAVIS. Yes, it will mean going back to the former basis.

The CHAIRMAN. It will mean rewriting the bill, will it not?

Mr. DAVIS. I think you will have to make the changes anyway.

The CHAIRMAN. Wouldn't that delay the passage materially?

Mr. DAVIS. I think, Senator Penrose, you would have to do it in either event. I think you will have to rewrite it in order to fit any American selling price plan.

The CHAIRMAN. Do you mean to rewrite the rates? If so, how?

Mr. DAVIS. Figure them out on an actual basis and not on a mathematical formula.

The CHAIRMAN. You mean to state that they are not properly described in the bill?

Mr. DAVIS. I do not think they fit actual conditions.

The CHAIRMAN. Do you mean to say that we will have to go over them all?

Mr. DAVIS. I think to properly reduce the rate you must compare foreign values with American selling values.

The CHAIRMAN. You do not mean this committee would have to do that; you mean your department?

Mr. DAVIS. Our department could do the preliminary work for your committee, if we had the men.

Senator SMOOT. We could not pass on this until we got that information.

The CHAIRMAN. Then we have quite a large task ahead of us?

Mr. DAVIS. I think you have.

The CHAIRMAN. Oh, I thought we would get through pretty soon. Have you anything further to say to the committee, Mr. Davis?

Mr. DAVIS. No, sir.

The CHAIRMAN. The committee is supposed to sit until 5 o'clock. If you have anything further to state, or if you desire to submit any extension of your remarks, so that they may be incorporated in your statement, you may do so.

Mr. DAVIS. I would like, Mr. Chairman, to submit the tabulation of comparable prices that I have prepared.

The CHAIRMAN. We would like to have it; we would be very glad to have it.

Mr. DAVIS. Then I would like to insert the tabulation at this point. (The tabulation referred to is as follows:)

United States sale prices of imported and domestic articles and comparative rates of duty.

Merchandise.	Country of export.	Wholesale selling price in United States.		Rates of duty.		
		Imported article.	American article.	1900	1913	New bill.
Cotton, embroidery.....	Switzerland.....	9 cents per yard.....	8½ cents per yard.....	60 per cent.....	60 per cent.....	37½ per cent.
Cotton, lace.....	Germany.....	15½ cents per yard.....	15½ cents per yard.....	do.....	do.....	42 per cent.
Cotton, table damask.....	Ireland.....	88 cents per yard.....	56 cents per yard.....	40 per cent.....	25 per cent.....	28 per cent.
Scissors, 5-inch.....	Germany.....	\$7 per dozen.....	\$6.50 per dozen.....	75 cents per dozen and 25 per cent.	30 per cent.....	20 cents each and 35 per cent.
Pocketknives, "Boy Scout".....	do.....	\$9 per dozen.....	\$10.50 per dozen.....	20 cents each and 40 per cent.	55 per cent.....	20 cents each and 30 per cent.
Surgical instruments, artery forceps.....	do.....	\$9.18 per dozen.....	\$13.20 per dozen.....	45 per cent.....	20 per cent.....	60 cents per dozen and 35 per cent.
Earthenware, 7-inch plate, transfer, etc.....	England.....	\$3 per dozen.....	\$2.63 per dozen.....	60 per cent.....	40 per cent.....	28 per cent.
Smokers' articles, pipes.....	France.....	\$48 per gross.....	\$54 per gross.....	do.....	50 per cent.....	45 per cent.
Furniture, willow.....	Belgium.....	\$5 each.....	\$5 each.....	45 per cent.....	25 per cent.....	40 per cent.
Grease-proof paper.....	Germany.....	14 cents per pound.....	14 cents per pound.....	2 cents per pound and 10 per cent.	35 per cent.....	2 cents per pound and 15 per cent.
Earthenware, Rockingham tea- pot.....	England.....	\$5.50 per dozen.....	\$4.20 per dozen.....	40 per cent.....	30 per cent.....	28 per cent.
Brushes, artists', red sable.....	Germany.....	\$1.05 per dozen.....	84 cents per dozen.....	do.....	35 per cent.....	30 per cent.
Mirrors, 144 square inches, 5- inch round.....	do.....	\$2.15 per dozen.....	\$2.60 per dozen.....	45 per cent.....	30 per cent.....	Do.
16-ounce herringbone chevilot (men's).....	England.....	\$3.95 per yard.....	\$2.875 per yard.....	44 cents per pound and 55 per cent.	45 cents per pound and 35 per cent.	30 cents per pound and 24 per cent.
Artificial silk.....	France.....	\$2.80 per yard.....	\$2.65 per pound.....	30 per cent.....	35 per cent.....	23 per cent.
Wool dress goods.....	France.....	\$2.80 per yard.....	\$2.75 per yard.....	11 cents per meter and 55 per cent.	do.....	30 cents per pound and 24 per cent.
Baskets, willow.....	Belgium.....	\$10.20 per dozen.....	\$10.20 per dozen.....	35 per cent.....	25 per cent.....	40 per cent.
Asbestos cloth.....	England.....	85 cents per pound.....	90 cents per pound.....	40 per cent.....	20 per cent.....	42 per cent.
Spun silk yarn.....	France.....	\$4.34 per pound.....	\$4.30 per pound.....	35 per cent.....	35 per cent.....	26 per cent.
Celluloid dolls.....	Japan.....	\$21 per gross.....	\$33 per gross.....	do.....	do.....	40 per cent.
Artificial silk braid.....	Switzerland.....	75 cents per piece.....	62½ cents per piece.....	45 cents per pound and 60 per cent.	60 per cent.....	45 cents per pound and 37½ per cent.
Chamois skins.....	Belgium.....	\$16 per dozen.....	\$14 per dozen.....	20 per cent.....	15 per cent.....	15 per cent.
Hats, men's straw.....	England.....	\$96 per dozen.....	\$21 per dozen.....	35 per cent.....	40 per cent.....	40 per cent.
Brushes, fiber, nail.....	Germany.....	\$2.90 per gross.....	\$4.55 per gross.....	40 per cent.....	35 per cent.....	35 per cent.
Harmonicas.....	do.....	\$16.50 per gross.....	\$33 per gross.....	45 per cent.....	do.....	Do.
Rubber ball, toy.....	do.....	\$18.51 per gross.....	\$17.10 per gross.....	35 per cent.....	do.....	40 per cent.
Flavoring extract.....	Switzerland.....	\$4.35.....	\$4.75.....	45 per cent.....	30 per cent.....	30 per cent.
Plain glass stemware, 9-ounce goblets.....	Belgium.....	\$2.40 per dozen.....	\$3 per dozen.....	45 per cent.....	30 per cent.....	30 per cent.
Umbrella, frame.....	Germany.....	\$10.75.....	\$12.....	50 per cent.....	35 per cent.....	35 per cent.
Paper wall pockets of paper.....	do.....	\$91 per 1,000.....	\$93 per 1,000.....	35 per cent.....	25 per cent.....	26 per cent.
Metal material for jewelry.....	Austria.....	\$24 per 1,000 feet.....	\$27 per 1,000 feet.....	60 per cent.....	50 per cent.....	45 per cent.
Imitation pearl necklace (beads).....	France.....	\$3.....	\$4.50.....	35 per cent.....	35 per cent.....	40 per cent.

United States sale prices of imported and domestic articles and comparative rates of duty—Continued.

Merchandise.	Country of export.	Wholesale selling price in United States.		Rates of duty.		
		Imported article.	American article.	1909	1913	New bill.
Precious stones, cut, unset.	France.	\$2 per carat.	\$2.50 per carat.	10 per cent.	20 per cent.	\$20 per cent.
Medicinal preparations, non-alcoholic.	Switzerland.	\$3.45 per pound.	\$10.50 per pound.	$\frac{1}{2}$ of 1 cent and 10 per cent.	15 per cent.	25 per cent.
Men's collars.	England.	\$4 per dozen.	\$4 per dozen.	40 cents dozen and 20 per cent.	30 per cent.	28 cents dozen and 17 per cent.
Beaded bags.	France.	\$24 each.	\$21 each.	60 per cent.	50 per cent.	40 per cent.
Needles, machine.	Germany.	\$35 per 1,000.	\$29.50 per 1,000.	\$1 per 1,000 and 25 per cent.	20 per cent.	\$1.15 per 1,000 and 25 per cent.
Handkerchiefs.	England.	\$3.30 per dozen.	\$3.25 per dozen.	55 per cent.	40 per cent.	36 per cent.
Fish, tuna.	Italy.	\$26 per case.	\$26 per case.	30 per cent.	30 per cent.	20 per cent.
Musical instruments (cornet).	Austria.	\$12 each.	\$18 each.	45 per cent.	35 per cent.	35 per cent.
Musical instruments (violin).	Germany.	\$2.50 each.	\$5 each.	do.	do.	\$1.50 each and 35 per cent.

Merchandise.	Country of export.	Amounts of duty.		Increase of rates over—		
		1909	1913	New bill.	1909	1913
Cotton, embroidery.	Switzerland.	24 cents.	24 cents.	\$0.031.	24 per cent.	24 per cent.
Cotton, lace.	Germany.	\$0.036.	\$0.036.	\$0.034.	78 per cent.	78 per cent.
Cotton, table damask.	Ireland.	\$0.2408.	\$0.1505.	\$0.1544.	34 per cent. ¹	4 per cent.
Scissors, 5-inch.	Germany.	\$1.40 per dozen.	78 cents per dozen.	\$4.671 per dozen.	232 per cent.	493 per cent.
Pocketknives, "Boy Scout."	do.	\$3.936 per dozen.	\$2.11 per dozen.	\$5.55 per dozen.	41 per cent.	153 per cent.
Surgical instruments, artery forceps.	do.	\$1.154 per dozen.	\$0.513 per dozen.	\$5.22 per dozen.	352 per cent.	917 per cent.
Earthenware, 7-inch plate, transfer, etc.	England.	\$0.924.	\$0.616.	\$0.7894.	20 per cent. ¹	19 per cent.
Smokers' articles, pipes.	France.	\$12 per gross.	\$10 per gross.	\$24.30 per gross.	102 per cent.	143 per cent.
Furniture, willow.	Belgium.	\$1.18 each.	\$0.66 each.	\$2 each.	69 per cent.	203 per cent.
Grease-proof paper.	Germany.	\$0.0283 per pound.	\$0.029 per pound.	\$0.041 per pound.	44 per cent.	41 per cent.
Earthenware, Rockingham teapot.	England.	\$1.332 per dozen.	\$1 per dozen.	\$1.176 per dozen.	11 per cent. ¹	17 per cent.
Brushes artists', red sable.	Germany.	\$0.1452 per dozen.	\$0.127 per dozen.	\$0.253 per dozen.	73 per cent.	98 per cent.
Mirrors, 144 square inches, 5-inch round.	do.	\$0.5782 per dozen.	\$0.3855 per dozen.	\$0.78 per dozen.	36 per cent.	76 per cent.
16-ounce herringbone chevrot (men's).	England.	\$1.545 per yard.	\$1.153 per yard.	\$0.99 per yard.	35 per cent. ¹	14 per cent. ¹

Artificial silk.....	England.....	72 cents per pound.....	84 cents per pound.....	61 cents per pound.....	18 per cent. less.....	38 per cent. less. ¹
Wool dress goods.....	France.....	\$1.13 per meter.....	62 cents per meter.....	83 cents per meter.....	36 per cent. ¹	34 per cent.
Baskets, willow.....	Belgium.....	\$2.15 per dozen.....	\$1.54 per dozen.....	\$4.12 per dozen.....	91 per cent. ¹	167 per cent.
Asbestos cloth.....	England.....	17 cents per pound.....	8½ cents per pound.....	42 cents per pound.....	14 per cent. ¹	385 per cent.
Spun silk yarn.....	France.....	\$1.06 per pound.....	\$1.06 per pound.....	\$1.12 per pound.....	54 per cent. ¹	54 per cent.
Calimoid dolls.....	Japan.....	\$3.71 per gross.....	\$2.71 per gross.....	\$13.20 per gross.....	236 per cent. ¹	236 per cent.
Artificial silk braid.....	Switzerland.....	31 cents per piece.....	22 cents per piece.....	31 cents per piece.....	do.....	35 per cent.
Chamois skins.....	Belgium.....	\$2.27 per dozen.....	\$1.70 per dozen.....	\$2.10 per dozen.....	74 per cent. ¹	24 per cent.
Hats, men's straw.....	England.....	\$3.05 per dozen.....	\$3.78 per dozen.....	\$8.40 per dozen.....	68 per cent. ¹	45 per cent.
Brushes, fiber, nail.....	Belgium.....	574 cents per gross.....	504 cents per gross.....	\$1.70 per gross.....	200 per cent. ¹	236 per cent.
Harmonicas.....	Germany.....	\$3.60 per gross.....	\$2.80 per gross.....	\$11.55 per gross.....	220 per cent. ¹	312 per cent.
Rubber ball, toy.....	do.....	\$1.47 per gross.....	\$2.47 per gross.....	\$6.84 per gross.....	53 per cent. ¹	53 per cent.
Plain glass stemware, 9-ounce goblets.....	Belgium.....	54 cents per dozen.....	36 cents per dozen.....	90 cents per dozen.....	664 per cent. ¹	150 per cent.
Umbrella frame.....	Germany.....	\$2.81.....	\$1.97.....	\$4.20.....	50 per cent. ¹	114 per cent.
Paper wall pockets of paper.....	do.....	\$10.60 per 1,000.....	\$7.54 per 1,000.....	\$24.18 per 1,000.....	128 per cent. ¹	220 per cent.
Metal material for jewelry.....	Austria.....	\$5.20 per 1,000 feet.....	\$4.33 per 1,000 feet.....	\$12.15 per 1,000 feet.....	134 per cent. ¹	180 per cent.
Imitation pearl necklace (beads).....	France.....	22½ cents.....	22½ cents.....	\$1.80.....	700 per cent. ¹	700 per cent.
Precious stones, cut, unset.....	France.....	\$0.128 per carat.....	\$0.266 per carat.....	\$0.60 per carat.....	290 per cent. ¹	95 per cent.
Medicinal preparations, non-alcoholic.....	Switzerland.....	21½ cents per pound.....	\$0.324 per pound.....	\$2.625 per pound.....	1,115 per cent. ¹	710 per cent.
Men's collars.....	England.....	\$0.837 per dozen.....	\$0.655 per dozen.....	\$0.98 per dozen.....	144 per cent. ¹	464 per cent.
Beaded bags.....	France.....	\$5.78.....	\$4.80 each.....	\$8.40 each.....	46 per cent. ¹	75 per cent.
Needles, machine.....	Germany.....	\$4.565 per 1,000.....	\$2.85 per 1,000.....	\$8.525 per 1,000.....	86 per cent. ¹	200 per cent.
Handkerchiefs.....	England.....	\$1.234 per dozen.....	90 cents per dozen.....	\$3.525 per dozen.....	6 per cent. ¹	30 per cent.
Fish, tuna.....	Italy.....	\$5.53 per case.....	\$4.625 per case.....	\$5.20 per case.....	6½ per cent. ¹	124 per cent.
Musical instruments (cornet).....	Austria.....	\$2.43 each.....	\$1.89 each.....	\$2.20 each.....	10 per cent. ¹	17 per cent.
Musical instruments (violin).....	Germany.....	54 cents.....	42 cents.....	\$1.92 each.....	255 per cent. ¹	357 per cent.

¹ Indicates that the rate in the new bill, based on American selling price, is a reduction of the 1909 rate on foreign value.

Mr. DAVIS. Senator Smoot does not think that using the prices of to-day shows the irregularities with respect to an ad valorem equivalent.

Senator SMOOT. Oh, do not misunderstand me. I have gone over the bill in detail enough to know that some rates have to be changed.

Senator LA FOLLETTE. It would be helpful if you could review your figures and make them applicable to the conditions when the Payne-Aldrich bill went into effect. Give all the examples that you have given there.

Mr. DAVIS. I can give these examples right here. I think the relationship remains the same.

Senator LA FOLLETTE. You think it does?

Mr. DAVIS. Yes, I think the relationship remains the same and that the same parity remains. I think that the application of the rates of that act to the values and the comparison of them with the rates under the new act will tell the story.

The CHAIRMAN. If Mr. Fix is here, he may want to say a few words to the committee now. Of course, the committee recognizes that he is an expert in these matters, and it would want to hear him fully. It seems to be the consensus of opinion of the committee that he should not be heard until to-morrow morning, when he will have more time.

I desire to state now to the committee that I have been notified by the Treasury Department that the Secretary of the Treasury will be here on Thursday morning with his responses to various inquiries relating to the funding bill. During that period we will suspend the hearings on this bill. The witnesses who were to be here on Thursday—some 10 or 12 in number—will be notified to be here on Monday instead of Thursday.

The committee stands adjourned.

(Thereupon, at 4.40 o'clock p. m., the committee adjourned until to-morrow, July 27, 1921, at 10.30 o'clock a. m.).

Wednesday, July 27, 1921.

The committee met, pursuant to adjournment, in the committee room, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Watson, McLean, Reed, and Gerry.

The CHAIRMAN. The committee adjourned yesterday with Mr. Davis, of the customhouse of New York, appearing as a witness. Mr. Davis, you are here this morning to continue, are you?

Mr. DAVIS. Yes, sir.

STATEMENT OF GEORGE C. DAVIS, SPECIAL AGENT IN CHARGE, PORT OF NEW YORK—Resumed.

The CHAIRMAN. The committee wants to give you all the time you desire, Mr. Davis.

Before you go on in your own way I want to say this: On yesterday afternoon I made a memorandum of several questions that I would like to ask you formally.

The first question is: Will you refer to the tabulation of prices that you offered yesterday and explain why the reduced rates in the present bill will bring about a result in the amounts of duty higher than the duties collected under the rates in the Payne-Aldrich bill?

I understood you yesterday to state that would be largely the effect.

Mr. DAVIS. Yes, sir.

The CHAIRMAN. Will you explain that more fully?

Mr. DAVIS. As I understand the proposition, it is to assess an equivalent for the Payne-Aldrich rate on the selling prices in the United States that would not bring about a higher result than if the Payne-Aldrich rate were assessed to-day on the foreign market value. That is what I have done in this tabulation, which consists of some 40 articles, selected more or less at random, and selected with a view to getting comparable domestic articles.

The CHAIRMAN. Senator Walsh, since you have just come in, I will say that this is an important statement showing why, in the opinion of Mr. Davis, the rates calculated under this system adopted in the House bill will result in higher duties than under the Payne-Aldrich bill. He has some 40 articles.

Senator WALSH. I can see that that is an important statement.

Mr. DAVIS. The tabulation shows if the rate in the Payne-Aldrich bill were assessed on the market value of to-day it would bring about certain amounts of duty, which are all tabulated in the column headed "Amounts of duty" and under the figures 1909, the date of the Payne-Aldrich bill.

The tabulation also shows that if the rate of the Underwood bill, the act of 1913, were figured on the market value of to-day it would bring about certain amounts of duty; and those are tabulated in the column headed "Amounts of duty," under the figures 1913.

The Payne-Aldrich equivalent appearing in the House bill, arrived at through a mathematical formula, is then applied to the price of the comparable domestic article, and the amount that that brings is set down in the column headed "Amounts of duty" under the title "new bill"; and the results, applying the equivalent of the House bill, instead of showing a reduction in those rates, bring out the following inequalities.

It is shown, for instance, that the House bill reduces the rate in some cases as much as 36 per cent. That is in a small number of cases—five. But in 35 other cases the rate is increased from 24 per cent to as much as 1,115 per cent.

The CHAIRMAN. Have you a list of those articles?

Mr. DAVIS. Yes, sir; in this tabulation.

The CHAIRMAN. Have you put that in the record yet. Is it in the stenographer's notes?

Mr. DAVIS. They were put in the record on yesterday afternoon.

The CHAIRMAN. That is what I thought. Have you shown the increase in the duty on each article?

Mr. DAVIS. I have opposite each article the increase that is made under the act of 1909 and also the increase under the act of 1913.

Senator WATSON. And this bill under the American valuation plan.

Mr. DAVIS. Yes, sir.

Senator McCUMBER. The increase is the ad valorem increase?

Mr. DAVIS. The increase is the ad valorem increase, expressed in this way. For instance, let me take this—

Senator WALSH. Take some one article for an illustration.

Mr. DAVIS. I take an item of cotton table damask from Ireland.

The imported articles sell on the American market for 86 cents a yard. The American article that the examiner has compared it

with sells on the American market at 56 cents a yard. Applying the rate of duty, 40 per cent under the Payne-Aldrich law, to the foreign market value, would bring 24 cents duty.

Applying the rate of the 1913 act, 25 per cent, it would bring about 15 cents in duty.

Applying the rate under the new bill, which under the mathematical formula has been reduced to 28 per cent would bring about a duty of 15 cents, as compared with the amount of duty under the 1909 act of 24 cents; consequently, a rate is reached below the Payne-Aldrich equivalent.

Senator McCUMBER. You, in that table, are arriving at what the specific duty on a particular article will be under the ad valorem rate.

Mr. DAVIS. I am using the table to show how utterly impossible it is to adjust rates under a mathematical formula, because when you come to apply these rates on actual prices you do not get the results, or anywhere near the results, that you expected.

Senator McCUMBER. What I would like to find out is whether you have a table that would show the ad valorem rate of the Payne-Aldrich bill if that rate had been applied at that time on an American valuation and then what the ad valorem rate at the present time is as applied on the American valuation, so as to see whether the ad valorem rates in this bill are higher or lower than the Payne-Aldrich bill. Now, if you have such a table, I would like to know it.

Mr. DAVIS. I have not the foreign value prices of 1909, nor have I the domestic prices of 1909, and they would probably be impossible to get.

Senator McCUMBER. You would have to make that comparison?

Mr. DAVIS. I think this table shows the comparison.

Senator SMOOT. I think you can pick out some items where the American valuation is less than the foreign valuation, just as you did in this case.

Mr. DAVIS. I have given this item to show that the rate has been reduced too much. There are 35 instances showing the reverse.

Senator SMOOT. In such cases there is no question but that it would be lower. I have no doubt but that you can find cases, just as you say, that are unreasonably high. You say you have given 40 articles there?

Mr. DAVIS. Yes, sir.

Senator SMOOT. You can find two or three hundred articles.

Mr. DAVIS. And bring the same results.

Senator SMOOT. But that can not be. I know that taking the Payne-Aldrich bill on the prices to-day and taking the House rates on the American plan, it can not bring those figures. Some of them are as near together as it is possible to figure them.

Mr. DAVIS. Take the domestic price of the comparable article.

Senator SMOOT. To-day. You haven't given it as of 1909. You haven't given the foreign valuation or the American valuation, but you can take what the Payne-Aldrich bill would do if it were the law to-day.

Mr. DAVIS. If it were the law to-day?

Senator SMOOT. Yes.

Mr. DAVIS. If it were the law to-day you would assess the Payne-Aldrich rate on the market value of to-day.

Senator SMOOT. Certainly you would.

Mr. DAVIS. That is what you want to bring about?

Senator SMOOT. Certainly.

Mr. DAVIS. If you are going to assess a Payne-Aldrich rate equivalent to a higher valuation it must be a very much reduced actual rate.

Senator SMOOT. You have to take the ad valorem rates.

Mr. DAVIS. No doubt, but if you reduce under the mathematical formula, you get an increase instead of a reduction.

Senator SMOOT. You say "mathematical formula." We can figure that out to a cent. In one case there is no doubt a reduction would be made. This bill does not have a regular percentage of reduction in all cases. The House bill does not do that.

Mr. DAVIS. It seems to in the majority of cases.

Senator SMOOT. Only as to classifications, not as to items at all. If there is a mistake made here, the Senate Finance Committee can soon change those rates. No one doubts but that if the ad valorem rates were the same in this bill as in the Payne-Aldrich bill it would increase the rates, I suppose, on an average of about 100 per cent.

Mr. DAVIS. Yes, sir.

Senator SMOOT. There is no doubt about that in the world.

Mr. DAVIS. Is this true, that in order to find out what the equivalent rate should be you must have the American selling price of the domestic article and the price of the imported article to compare them in order to find what the rate should be?

Senator SMOOT. You have got to have that.

Mr. DAVIS. That is impossible. You can not get it.

Senator SMOOT. You can not get that on every item.

Mr. DAVIS. You can not get it on thousands and thousands of articles coming into this country.

Senator SMOOT. We can get them near enough so there will not be a difference of 1,100 per cent.

Mr. DAVIS. Well, here are the differences. These are based on the actual figures.

Senator SMOOT. There may be items there. I do not dispute that.

Mr. DAVIS. They range 600 per cent, 700 per cent, 500 per cent, and so on.

Senator SMOOT. Those things must be corrected.

The CHAIRMAN. I would like to have you insert in the record a definition of just what you mean by the term "mathematical formula."

Mr. DAVIS. Mr. Burgess, in his testimony, explained it. I am using that formula. It appears to be the one that was used.

They took the foreign cost as 100 per cent. To that they added the rate of duty which, let us say, is 60 per cent, which gives 160 per cent. Then they took 160 and divided it into 60, which gives in turn 37.5 per cent, which becomes the equivalent rate, if applied on the American valuation plan, to the 60 per cent rate and if applied to the foreign market value, but they have not taken into consideration the freight, insurance, profits, and all the various items that make the landed cost.

Senator WATSON. Why do you cling to that formula?

Mr. DAVIS. I do not cling to it. I say that it can not be used.

Senator SMOOT. Nobody intends to use it, so far as I know, in this committee. I do not think this committee has any idea of materially increasing the rates of the Payne-Aldrich bill.

The CHAIRMAN. How many of these rates in the House bill that has come over here have been fixed arbitrarily by the so-called mathematical formula?

Mr. DAVIS. I think the majority of them have. I notice they take the 60 per cent rate that under the formula should be reduced to 37.5 per cent, but in some instances you find the rate is not 37.5 but 42 per cent, which makes it worse.

Then I notice they have taken the ad valorem rate of the Payne-Aldrich bill, reduced it to the formula to get the lower rate, but on top of that they put a specific duty. I do not know what that would bring about.

Senator SMOOT. It would bring about an increased rate.

Mr. DAVIS. I mean in amount.

Senator SMOOT. We can find out what the equivalent is.

The CHAIRMAN. I would like to ask you to explain the effect of the application of the rates in the new bill upon the merchandise that would be affected. What effect would it have upon the regular selling value?

Mr. DAVIS. When you apply the reduced rates of this bill to the American selling price of the imported article, it brings about an entirely different result than applying the rates of the bill to the price of the domestic article; I have prepared a tabulation to show this. I have had a sufficient number of copies made for the members of the committee. This table should not be confused with the domestic tabulation I inserted in the record yesterday.

The CHAIRMAN. This will also be inserted at this point in your remarks.

Comparison of duty under the acts of 1909 and 1913 upon foreign-value basis and H. R. 7456 upon import value for sale.

Taking the foreign price unit at 100 per cent, or \$1, adding 5 per cent for transportation charges and insurance, an average of 25 per cent for overhead and profit, duty under the acts of 1909 and 1913 upon the foreign value basis and duty under the new act upon the import value for sale price works out as follows:

Item.	Act of 1909.	Act of 1913.	New act.	
Decorated china:				
Foreign value.....	\$1.00	\$1.00	Duty.....	40 per cent.. \$1.20
Freight and insurance.....	.05	.05	Overhead and profit.	25 per cent.. .75
Duty, at 60 per cent on foreign value..	.60	.55	Cost, insurance, and freight.....	35 per cent.. 1.05
	1.65	¹ 1.60	New American price.	100 per cent.. 3.00
Overhead and profit (33½ per cent)...	.55	.53		
American selling price, or 25 per cent of selling price.....	2.20	2.13		
Manufactures of metal:				
Foreign value.....	1.00	1.00	Duty.....	35 per cent.. .92
Freight and insurance.....	.05	.05	Overhead and profit.	25 per cent.. .66
Duty, at 45 per cent on foreign value..	.45	.20	Cost, insurance, and freight.....	40 per cent.. 1.05
	1.50	² 1.25	New American price.	100 per cent.. 2.63
Overhead and profit (33½ per cent)....	.50	.42		
American selling price, or 25 per cent..	2.00	1.67		
Laces:				
Foreign value.....	1.00	1.00	Duty.....	42 per cent.. 1.34
Freight and insurance.....	.05	.05	Overhead and profit.	25 per cent.. .80
Duty, at 60 per cent foreign value....	.60	.60	Cost, insurance, and freight.....	33 per cent.. 1.05
	1.65	³ 1.65	New American price.	100 per cent.. 3.19
Overhead and profit (33½ per cent)....	.55	.55		
American selling price, or 25 per cent..	2.20	2.20		

¹ 55 per cent.

² 20 per cent.

³ 60 per cent.

From the above figures it will be noted that while the rates of the new act appear to be lower than those of the Payne-Aldrich law of 1909, reduced to meet the higher American valuation basis, they become, as a matter of fact, very much higher when applied.

	Act of 1909: Duty on foreign value taken at \$1 or 100 per cent.	New bill: Duty on American selling price built from same foreign value basis of \$1.
Decorated china.....	Rate 60 per cent, duty 60 cents.	Rate 40 per cent, duty \$1.20; increase 100 per cent.
Manufactures of metal.....	Rate 45 per cent, duty 45 cents.	Rate 35 per cent, duty \$0.92; increase 104 per cent.
Laces.....	Rate 60 per cent, duty 60 cents.	Rate 42 per cent, duty \$1.34; increase 123 per cent.

The increases over the act of 1913 would be still higher: China, 118 per cent; metal, 360 per cent; laces, 123 per cent.

The CHAIRMAN. What is the general conclusion arrived at?

Mr. DAVIS. Taking the foreign price unit at 100 per cent or \$1 and adding 5 per cent for transportation charges and insurance—the merchandise that I use in European merchandise, and I am taking an arbitrary amount for transportation—an average amount, taking an average of 25 per cent for overhead and profit, and considering the duty under the acts of 1909 and 1913 upon this foreign value basis and the duty under the new act upon the American selling price of the imported article, it works out as follows.

I shall use decorated china as an example. This is decorated china from Europe. The foreign value is 100 per cent or \$1. The freight and insurance would be 5 cents. The duty at 60 per cent ad valorem under the act of 1909 would be 60 cents, bringing the landed price to \$1.65.

The merchant wants to make 25 per cent to cover expenses and profit on the selling price, which is 33½ per cent of this landed price, so you add 55 cents and you reach his American selling price of \$2.30.

But you can readily see that that can not be the American selling price of the imported article upon which the appraiser will appraise in the absence of a comparable and competitive domestic article, because the new rate of duty figured on that price would raise the selling price. So I attempted to show in the last column how the importer, or the examiner, would work out what the new price should be.

I take the known quantities. The duty under the new act is 40 per cent of the selling price, but we do not know what the selling price is yet. The overhead and profit amount to 25 per cent of the selling price, but we do not know the selling price. The c. i. f. cost is the only known quantity in money. Duty, 40 per cent, overhead and profits 25 per cent, that makes 65 per cent. Inasmuch as the selling price must be 100 per cent, the c. i. f. cost therefore becomes 35 per cent. If the c. i. f. cost is 35 per cent of the selling price, such price therefore becomes \$3, as against \$2.30 when the duty was based on the foreign price of \$1.

Manufacturers of metal in the above table, a wide class of imports, shows an increase of 104 per cent. On laces, which amount to many millions of dollars each year, the increase runs up to 123 per cent. Applied to the present act, it shows an increase on china of 118 per cent; metal, 360 per cent; and laces, 123 per cent. So it shows that it is absolutely impossible to adjust rates under this mathematical formula.

The CHAIRMAN. Is that all you have to say in response to that inquiry?

Mr. DAVIS. That is all I have to say in response to the adjustment of rates.

The CHAIRMAN. If the committee should decide to adopt the House American-valuation plan, how long, in your opinion, would it take the Treasury Department to gather the data to administer the law?

Mr. DAVIS. The Treasury Department, in gathering that data, would undoubtedly have to use their special agents' service. The examiners could assist a great deal, but they could not leave their daily work to go out to make investigations, so we would have to depend more or less upon our special agents' service.

I have just received a letter from my office in New York stating that the men in New York—we have 32—are working day and night now on smuggling and are investigating the various claims of dumping under the emergency act. It will be impossible for the Treasury Department to turn our special agents loose at this time and give them this other task. It would be impossible to say to the examiners in New York, "Drop your daily duties and go out and gather this information." They can get a certain amount of it, but I do not think they can get enough to build up intelligent rates upon this valuation place.

The CHAIRMAN. Could you be furnished with an additional force?

Mr. DAVIS. Yes; we could.

The CHAIRMAN. How many more men would you need to add and what would be the expense, speaking roughly? I do not expect an accurate estimate.

Mr. DAVIS. I think if we had 25 or 30 men to turn loose right away we might do it.

The CHAIRMAN. Those men would average how much compensation? What would be the total wage?

Mr. DAVIS. To get men of sufficient intelligence to handle the proposition and men with sufficient knowledge of merchandise to determine comparability, I think you would have to pay at least ten or fifteen dollars a day.

The CHAIRMAN. What would be the total increase amount?

Mr. DAVIS. Provided we could get the proper men, 25 at, say, \$12 a day for three months would amount to \$27,000. With this force we might gather in most of the big lines enough foreign and domestic and also American import values upon which to determine how much to reduce the Payne-Aldrich rates to fit the higher valuation basis.

The CHAIRMAN. How long would it take under present conditions?

Mr. DAVIS. I would not want to say under six months with our present force.

The CHAIRMAN. Within six months you could probably do it?

Mr. DAVIS. Yes. Of course the main point is, could we get men with sufficient training to gather the information, if we hired men to do it quickly?

The CHAIRMAN. That is what I want to know.

Mr. DAVIS. Could we get men with sufficient experience to go out and gather the information that we require? We might get them from other services, such as the Department of Commerce or the Tariff Commission. I understand the Tariff Commission, as Mr. Page stated, could assist.

As an example of the time it takes, let me say this: I have secured a tabulation of 40 items. Forty items is nothing compared with the items coming into this country, but it has taken the New York examiners three weeks to get the information they have now on the 40 items. They all say that these articles that they have used may be comparable, but when you try to pin them down as to whether the article is really comparable, they say, "Well, I do not know; it is as close as I can get to it."

The CHAIRMAN. This information has to be kept up to date?

Mr. DAVIS. Absolutely.

Senator McLEAN. If you follow the present plan you have got to get the foreign valuation?

Mr. DAVIS. Yes; but we do that fairly well now.

Senator McLEAN. Would not there be a great many difficulties in securing the foreign valuation under the existing chaotic conditions there?

Mr. DAVIS. The principal difficulty we encounter is lack of help.

Senator McLEAN. Would it cost any more to get the domestic valuation than the foreign valuation, and to get it accurately?

Mr. DAVIS. At the beginning I think it would, but after the problem had been worked out probably it would not cost any more to get the American information than it would the foreign information, but it must be remembered that under the terms of this bill we must get both.

The CHAIRMAN. One more question and then I shall be through. I think you touched on it yesterday, but I should like to have you explain clearly just what changes in the valuation method, in your opinion, could be made in order to expedite and to put into effect at once an adequate tariff system in the United States.

Mr. DAVIS. Why, I think everybody that has the interests of the American manufacturer at heart, as I certainly have and as I am sure all of our customs men have, would like to have a valuation system that would give them adequate protection against foreign competition.

The plan in this bill is to take the full domestic price for comparable products and apply such prices to the imported article. Before you can use this price it is admitted rates must be fairly accurately reduced.

I think I have shown the difficulties in reducing the rates. If you can reach the same result without reducing the rates of duty, would it not be preferable?

I think I also brought out yesterday that if you attempt to put this scheme into effect suddenly and require the present force to get the necessary information on a given day it will soon become evident that they can not find it on that day, or the next or the next. Now, what is going to happen in regard to the second, third, fourth, and fifth days' work? The merchandise will pile up in this country. What will be the result? You will either have to repeal the bill or the Secretary of the Treasury will have to take some drastic action to release the merchandise without appraisement.

Isn't it far better, if we are to use a domestic price at all, to devise some system to put into effect gradually?

The system that I suggest, so far as appraising domestic merchandise is concerned, is that if any manufacturer makes an article

that has its counterpart in the foreign article, let it be given to the Secretary of the Treasury so that its comparability may be determined before anything is done. After that fact has been established instruct all appraisers to appraise the foreign article and this article alone at the price of the domestic article whose comparability has been established. Not gross, however, but less duty, transportation charges of the foreign article, and expenses and profit, not to exceed, say tentatively now, 8 and 8 per cent to reach a constructive foreign market value.

Senator REED. Constructive foreign or domestic value?

Mr. DAVIS. A constructive foreign value secured from the value of the comparable domestic article, less deductions. I don't think anybody would object to it.

Gradually, as these comparable articles come forward—there are claims that there are a great many of them, but I do not think there are—and comparability is established in a sensible manner, you could apply domestic prices with deductions. They will go into effect gradually. It would not disturb the machinery of the customs service a particle. As to all other merchandise, it should be appraised at the foreign wholesale market value, as it is to-day.

There is another class of merchandise, however, that must be treated in a different manner.

Senator REED. Before you leave that topic, I would like to ask you a question. Are you going to leave that topic?

Mr. DAVIS. I won't if you have any questions.

Senator REED. I do not want to interrupt the chairman.

The CHAIRMAN. I am through, Senator.

Senator REED. Let me see if I understand you. I have not had the benefit of your testimony. I have been unable to be here. However, you have this morning briefly discussed the question of raising the American value. I understand you to suggest a plan different from that in the bill?

Mr. DAVIS. Yes, sir.

Senator REED. And different from the present law?

Mr. DAVIS. Yes, sir.

Senator REED. Not that you recommend it, but you suggest it as a plan which might gradually put into effect the American plan.

Mr. DAVIS. If you desire it; yes, sir.

Senator REED. Yes; you do not stand sponsor for the change.

Mr. DAVIS. No, sir; but I think it would work quite fairly.

Senator REED. You, as I understand it, propose that we shall continue to make values as at present and ascertain the foreign prices by the methods now existing?

Mr. DAVIS. Yes.

Senator REED. That is step No. 1.

Mr. DAVIS. Yes, sir.

Senator REED. If an American manufacturer brings to you a particular article which is substantially identical with a foreign article with which he is competing, you suggest a plan of ascertaining the value of that particular foreign article by taking the price of the American article?

Mr. DAVIS. Yes, sir.

Senator REED. The selling price?

Mr. DAVIS. Yes.

Senator REED. And not the cost?

Mr. DAVIS. The selling price.

Senator REED. And you deduct from that 8 per cent for profit?

Mr. DAVIS. First I would take off the duty.

Senator REED. All right. I do not care which end we begin with. First you would take out the duty. Second you would take out 8 per cent profit?

Mr. DAVIS. Well, I would take out the freight, the insurance, and the cost of bringing it over.

Senator REED. Let me get it in order. First you would take out the duty; you would subtract the duty?

Mr. DAVIS. Yes, sir.

Senator REED. Then what would you do next?

Mr. DAVIS. I think the exact way would be to take the freight and insurance first.

Senator REED. All right; let us get it. Freight and insurance.

Mr. DAVIS. Then duty.

Senator REED. Then duty.

Mr. DAVIS. Then 8 per cent for expense and 8 per cent for profit.

Senator REED. Then you would take the residuum, that which was left after this subtraction, as the foreign value?

Mr. DAVIS. Yes, sir.

Senator REED. And thereafter treat that as the foreign value?

Mr. DAVIS. Yes, sir.

Senator REED. Don't you know that would not give you the foreign value at all?

Mr. DAVIS. No; I do not.

Senator REED. It can not give you the foreign value.

Mr. DAVIS. I think it would approximate it very closely.

Senator REED. Well, let us see. The first trouble with your equation, in my judgment—and I will state it that way, intending it however, as a question—is that you are taking the selling price of the American manufacturer.

Mr. DAVIS. Yes.

Senator REED. The American manufacturer may be selling at a loss, or he may be selling at a profit of two or three hundred per cent.

Mr. DAVIS. Yes.

Senator REED. So that the first thing you start out with is not an article of the value as determined by the cost of production, but as determined by the ability of the American merchant to get a price.

Mr. DAVIS. That is true.

Senator REED. That is true, is it?

Mr. DAVIS. Yes.

Senator REED. And the price which he gets will depend upon a multitude of conditions. This is a very uncertain thing, is it not?

Mr. DAVIS. Yes, sir.

Senator REED. For instance, he may be hard up and have to unload his stock, in which event he might be selling at cost or below cost.

Mr. DAVIS. Yes.

Senator REED. He might even be selling below the cost of foreign production?

Mr. DAVIS. Yes, sir.

Senator REED. On the other hand, he might be so situated that he could sell his article at a very high profit?

Mr. DAVIS. Yes, sir.

Senator REED. That is true, is it not?

Mr. DAVIS. All those things are true, Senator.

Senator REED. All those things are true. So that your equation, when you work it out, means this, that you not only start from an unknown quantity, but from an unknown quantity which constantly fluctuates and which furnishes no basis of real value?

Mr. DAVIS. You never could get at real cost by using an artificial basis.

Senator REED. No. As you have elements in your equation which are constantly fluctuating and which do not necessarily bear any relation to the real cost, your equation is based on something worse than quicksand, is it not?

Mr. DAVIS. I merely offer that, Senator, as a suggestion, assuming Congress would desire the American selling price, and merely from the standpoint of offering something that is possible of administration.

Senator REED. That may be possible of administration by your office, but it does not give us an equitable result.

Mr. DAVIS. It does not get at the true duty at the ad valorem rate on the open world value of the imported article, that is sure. It only approximates it.

Senator REED. Yes. There is another element in it, is there not, namely, that it places the control of the duty itself in the American manufacturer—not the rate of duty, but the amount of duty?

Mr. DAVIS. Only to an extent.

Senator REED. Well, to an extent.

Mr. DAVIS. A very slight extent.

Senator REED. For instance, an American manufacturer or a combination of American manufacturers, or an American manufacturer of a specialty which he controls, if he advanced his price 10 per cent could thereby advance the rate of duty 10 per cent, could he not?

Mr. DAVIS. Yes.

Senator REED. And if he could advance the price of his article 20 per cent he could advance the rate of duty 20 per cent?

Mr. DAVIS. Yes; but inasmuch as the cost of the foreign article remains the same, if he advanced his price, his price would be 100 per cent, but the advance on the foreign article would only be 20 per cent, if that were the rate of duty, so that the foreign article would undersell him.

Senator REED. I am talking about the proportion of advance in the duty.

Mr. DAVIS. Yes.

Senator REED. If he advances the price 20 per cent the duty goes up 20 per cent and if he advances it 30 per cent the duty goes up 30 per cent, is that true?

Mr. DAVIS. That is true.

Senator SMOOT. It is the duty upon the advance.

Senator REED. I understand that perfectly. The duty on the advance goes up 20 per cent. Of course, you would at one time or another approach a point where the foreign article could come in.

Mr. DAVIS. Yes.

Senator REED. But it remains true that if you take the American valuation every time the American merchant can advance the price of his article he advances the tariff by the same rate of percentage.

Mr. DAVIS. Let me give you an illustration.

Senator REED. That is true, isn't it?

Mr. DAVIS. To a certain extent.

Senator REED. Well, isn't it true absolutely? I know what you have in your mind. I would like to get out what I have in mine. We will say, for instance, that the price of an article to-day is \$1.

Mr. DAVIS. Yes.

Senator REED. The duty is 50 per cent, or 50 cents.

Mr. DAVIS. Yes.

Senator REED. The American price on the article is raised to \$2. I will take a very simple illustration and one which will work against my plan. The duty upon that article would be \$1, would it not?

Mr. DAVIS. Yes.

Senator REED. He gets, then, an additional 50 cents protection; although he has raised his article \$1 he gets 50 cents of protection. He has got to continue that process until he has reached a point where his rise of prices has become so great that the percentage upon the duty, the duty being less than the article, and the percentage being figured on that smaller sum—the price has become so high that the duty can be paid with all its increases and the article would still come in?

Mr. DAVIS. I do not quite agree with you. The landed cost of a foreign article, we will say, is \$7.50.

Senator REED. The what?

Mr. DAVIS. The landed cost. The American selling price of the domestic article is \$10, we will say.

Senator REED. Very well. You have a very small tariff protection there.

Mr. DAVIS. You can make it larger or smaller, as you wish.

Senator REED. All right; we will take your figures.

Mr. DAVIS. Now, we know that to start with, and we set a rate of 25 per cent, which gives us \$2.50, figured on the \$10.

Senator REED. Yes.

Mr. DAVIS. All right. Now, you add \$2.50 to the \$7.50, which included the man's profit, and you bring it up to \$10. Then they are on a competitive basis.

Senator REED. At that time.

Mr. DAVIS. At that time. You say that the American manufacturer is going to pyramid his prices. Let us see. He puts it up to \$12. Then the duty would be 25 per cent of \$12, or \$3.

Senator REED. Yes.

Mr. DAVIS. You add \$3 to \$7.50 and you get \$10.50 and undersell him at once.

Senator REED. That is true in that kind of an article, but there are plenty of articles—

Mr. DAVIS. He would undersell.

Senator REED. If he raised it that much, but there are plenty of articles where the tariff is 50 per cent, are there not?

Mr. DAVIS. Yes.

Senator REED. And plenty where it is 75 per cent?

Mr. DAVIS. Yes.

Senator REED. And plenty where it is 100?

Mr. DAVIS. Yes.

Senator REED. You have assumed in your statement that there is no difference between these articles. You assumed a case where

there was a difference of only 25 per cent and the tariff was 25 per cent.

Mr. DAVIS. Yes.

Senator REED. But if you take an article where the tariff is 200 or 300 per cent, the case would not work out the same way, would it?

Mr. DAVIS. The ratios would work out differently.

Senator REED. The ratios would work out differently. That is it exactly.

So that it is true that on the American valuation every time the American raises his price, automatically the tariff is increased by a percentage equal to the percentage of his raise of price?

Mr. DAVIS. Yes; that is true, provided he can sell it after he gets it raised.

The CHAIRMAN. Have you concluded, Senator Reed?

Senator REED. That concludes that line of questions. The witness was going on with another topic.

The CHAIRMAN. He can be recalled.

Mr. DAVIS. Mr. Chairman, in this substitute plan that I have suggested there is another feature to it, and that is whenever the foreign markets are closed to the American buyer, in the case of consigned goods. The agent or branch house is situated in this country and all business has to be transacted with the foreigner in this country, who is satisfied with a small mill profit. He has transferred part of his overhead over into this country and avoided paying duty on an expense which belongs in the foreign country. I think this class of merchandise should take the American selling price of the imported article, after subtracting the duty, the freight and the insurance, and in case of a commission not more than 6 per cent or for actual purchases by the agent not to exceed 8 and 8 per cent. If the foreign manufacturer is not satisfied with this plan let him open his market.

Senator REED. Why could you not get at it in another way? Why could you not ascertain these overheads which have been transferred over here and add them to the foreign cost?

Mr. DAVIS. You could do that, but I think in my way you get it much quicker and better, because the items that I speak of are all known and right before you; while the items you speak of will have to be investigated.

Senator REED. The items you speak of are what?

Mr. DAVIS. The duty is known; freight and insurance also known; the arbitrary 8 and 8 per cent is known, because the law says so.

Senator REED. Then, why not take the foreign price and add to it these three known quantities?

Mr. DAVIS. You are not sure of the foreign price; the market is closed.

Senator REED. The only difference is in one case you take the American valuation and make three subtractions from it, and in the other case you take the foreign valuation and make three additions to it.

Mr. DAVIS. We are doing that to-day with great success in regard to consigned goods, subtracting other items from the American price where there is no home market value.

Senator REED. If there is no home market value, there is no objection, but where there is a home market value you can add these items just as well as you can subtract them from the American value.

Mr. DAVIS. Oh, yes.

The CHAIRMAN. Does not the fact remain that you could proceed to administer a tariff law under the present system of appraisement if you had a sufficient number of investigators abroad in Europe?

Mr. DAVIS. We could if we had a sufficient force and they were allowed a sufficient amount of money to travel upon so they did not have to go down in their pockets and pay their own expenses. When you send a man to a foreign country for three or five years he has to take his family with him.

The CHAIRMAN. Accepting all that, if you had 60 or 70 men over in Europe adequately paid, with travel allowance, could you not administer a tariff law under the present system?

Mr. DAVIS. Absolutely; with some slight improvements over our present system to cover closed markets.

The CHAIRMAN. And the total aggregate expense would not be very great?

Mr. DAVIS. No, sir.

Senator LA FOLLETTE. I understood Mr. Davis to state yesterday that we now have only 6, and that if we had 12——

Mr. DAVIS. I would say 15.

The CHAIRMAN. We will give them 50.

Mr. DAVIS. Say 15 to 25.

Senator LA FOLLETTE. Twenty-five would cover the ground perfectly?

Mr. DAVIS. If we had 60, as Senator Penrose says, we could cover the whole world without any question, and we would get results.

Senator LA FOLLETTE. And that would, as a matter of fact, result in comparatively a very light charge against the Government?

Mr. DAVIS. But a slight charge.

Senator LA FOLLETTE. When you take into account this plan where you have to have, as you said yesterday, an army of experts to make your comparisons and comply with the law.

The CHAIRMAN. This last plan to which I called your attention would cost less money than the execution of the plans under the pending bill, would it not?

Mr. DAVIS. By far.

Senator REED. Would not the information which these agents who were sent over in foreign countries obtained be of very great use outside of the mere matter of fixing tariff valuations? Would not the information that they collect with reference to trade conditions and prices in foreign countries be of great use to this Government outside of the mere tariff question?

Mr. DAVIS. It certainly would, because the information that they would collect would have to be accurate and before a price was accepted the books would have to be turned to and the actual transactions where merchandise was sold at that price would have to be known. If the information was not gathered in that way it would be worthless at time of contest before our Board of United States General Appraisers. The information our men gathered could be depended upon and would be accurate for the use of anybody who desired to make use of it.

The CHAIRMAN. As I understand, the Government and American business men are now overwhelmed with publications from several departments alleging to convey much of this information. I am advised that it is worthless largely on account of its inaccuracy and general character.

Mr. DAVIS. Principally on account of its general character, Senator, not its inaccuracy.

The CHAIRMAN. It is fine for publicity work in Patagonia or some such place, but of little or no use in selling shoes.

Mr. DAVIS. On the other hand, our man in France is nearly a year behind in his work.

Senator SMOOT. Mr. Davis, you recognize the fact, do you not, that American institutions are at a disadvantage on account of the difference in foreign exchange?

Mr. DAVIS. Yes, sir; but whenever you take the German price of to-day at the great number of marks required to buy the article and you reduce it to United States gold at a cent and a third, and you compare that gold value with the gold value of 1914, you find that the gold value for German merchandise is much higher.

Senator SMOOT. Not nearly as much higher as the American goods on account of the extreme cost of making them.

Mr. DAVIS. Probably that is true, Senator.

Senator SMOOT. I do not think anyone will question that.

Mr. DAVIS. I have not made any tests, however.

Senator SMOOT. But do you think it is possible to put in a straight specific duty in case there are specific duties, or ad valorem duties in case there are ad valorem duties, that will protect the American manufacturers in this country against goods that will come from Germany?

Mr. DAVIS. No, sir; but if you use my plan of putting the domestic price into effect gradually, if any American manufacturer can come forward and show these eyeglasses, that we will assume were made in Germany, to be comparable to his article we will use his price, less deduction, and no one need worry over exchange.

Senator SMOOT. But what I wanted to get at was this: Your testimony so far would lead one to believe, outside of your plan that was suggested, and that was merely a suggestion, that the rates of duty in the Payne-Aldrich bill, if carried in this bill here, would be sufficient to provide for the difference of exchange in cost of manufacture.

Mr. DAVIS. Many times over.

Senator SMOOT. There is another question involved in this.

Senator REED. One moment. I want to have that question and answer read to me.

Senator SMOOT. He said "Many times over"; that it would require many times more than the rate in some cases, and in others it could be taken that the Payne-Aldrich rates were many times too high.

Senator REED. What did you mean?

Mr. DAVIS. I mean that the reduction which has been brought about by using this formula that I explained is not the right kind of reduction. It is more than adequate to cover the difference. Consequently, if you use this alleged lower rate, as a matter of fact, you are really using a rate that is very much higher than the Payne-Aldrich rate, and, consequently, you would cover any difference of exchange many times over.

Senator REED. What do you mean by "this alleged lower rate"?

Mr. DAVIS. They take the 60 per cent rate of the Payne-Aldrich law and add that to 100 per cent, which is supposed to be the foreign cost, and they get 160. They then divide 160 into 60 per cent and

get 37.5 per cent, and that becomes the new rate. But when you come to apply that rate of 37.5 per cent on actual price——

Senator REED. The American price?

Mr. DAVIS. Yes—you are getting an amount of duty far in excess of what you would have gotten on 60 per cent on the market value.

Senator REED. You mean the European value?

Mr. DAVIS. Yes, sir.

Senator SMOOT. I will say to the Senator from Missouri that he was not here when this system was explained that had been adopted by the House. Of course, I understood the answer that the witness made because it was based upon that former statement.

The CHAIRMAN. I want to say that by the consent of the committee there are several business men here to be heard and some of them come from a considerable distance, others reside nearby. I think it would be a hardship to postpone hearing those gentlemen who have come from a distance, and if the committee is through with the examination of the customs experts for the present—and they can be recalled at any time—we will now call upon some of the eight or ten gentlemen who want to be heard on the valuation question. I will first call on Mr. Thomas H. Eddy, representing Marshall Field & Co.

STATEMENT OF THOMAS H. EDDY, CHICAGO, ILL., REPRESENTING MARSHALL FIELD & CO.

The CHAIRMAN. Mr. Eddy, you reside in Chicago?

Mr. EDDY. I do, sir.

The CHAIRMAN. And you represent Marshall Field & Co.?

Mr. EDDY. I am on the managing staff of Marshall Field & Co.

The CHAIRMAN. Will you state concisely to the committee your views on the subject of American valuation?

Mr. EDDY. I might preface my remarks by stating that we appear rather in a dual role, as we are large domestic manufacturers as well as heavy importers. We have manufacturing plants in seven different States of the Union.

Senator WATSON. Have you manufacturing plants abroad also?

Mr. EDDY. We have none abroad. We buy in the open market abroad.

Senator SMOOT. Your importation business, however, is the main part of your business?

Mr. EDDY. Not at all. Our manufacturing is several times our imports.

Senator SMOOT. What kind or class of goods are you making?

Mr. EDDY. We are making muslin underwear, silks, rugs, various kinds of cotton goods, gingham, domestics, sheets, pillows, pillow cases, bed spreads, towels, knitting cotton, laces, lace curtains, etc.

Senator SMOOT. Do you manufacture the article that makes the pillow cases?

Mr. EDDY. Yes; we spin and manufacture from the raw cotton in our southern mills.

The CHAIRMAN. How many States are your manufacturing plants located in?

Mr. EDDY. They are located in seven States.

The CHAIRMAN. Can you state some of the principal States in which you are located?

Mr. EDDY. Yes; New York, New Jersey, Pennsylvania, Virginia, North Carolina, Indiana, and Illinois.

The CHAIRMAN. Now, will you go on in your own way and state your views on this American valuation system?

Mr. EDDY. In considering this question I divide section 402 into two parts, the first referring to comparable and competitive goods of the United States. It is an essential and necessary part of our business that we sell for future delivery; for example, our goods being sold in the spring for delivery in the late summer and fall.

So far as our foreign business is concerned, our buyers go to Europe, and under the proposed plan we see no way of buying in the market with any degree of certainty as to what our costs would be when they would be determined by the wholesale price in this country of some goods of which we may have no knowledge, and these costs to be determined upon a factor of that kind when we are selling our goods in advance of the arrival of the merchandise here. We can not know the amount of duty nor our costs until the goods actually arrive and pass through the customhouse under this plan.

We feel pretty strongly that such imports as might come under this class would be very largely reduced, if not wiped out altogether.

I would further say that if we could import any under these conditions, it would be necessary to protect our interests to practically protest or appeal upon every item that was valued on this basis.

Senator WATSON. Are any of your imports on the free list?

Mr. EDDY. We have only jute burlap. That has been on the free list.

Perhaps the most serious objection from our standpoint is to the second part of section 402. This section apparently covers commodities which are not comparable or competitive with domestic products. Under this portion of the section as drawn the way would be open to foreign manufacturers to close their markets abroad to purchasers like ourselves, shipping their goods to a selling agent in this country who, by fixing his price for sale, would practically determine the amount of duty assessable upon his article. The foreign manufacturer will have his foreign mill profit together with a profit in this country over his selling expenses and still control the market. These profits instead of coming into the hands of the American merchants will go abroad.

All previous tariff acts have had this feature of consigned merchandise in mind, and I think that the section as drawn will largely nullify anything that Congress has done and the work of the Treasury officials in protecting our industries here against such competition.

The CHAIRMAN. Did you present these views to the Ways and Means Committee of the House?

Mr. EDDY. Substantially so; yes, sir.

The CHAIRMAN. Well, it apparently failed to make an impression on them.

Mr. EDDY. It apparently did; yes, sir.

Senator McLEAN. Do you import articles which compete with the articles which you manufacture?

Mr. EDDY. In some degree. We largely are manufacturing staple articles, although we do import some—handkerchiefs, bedspreads, some muslin underwear.

Senator McLEAN. Are these fairly comparable with the articles that you produce?

Mr. EDDY. Not entirely so.

Senator McLEAN. Most of your importations are noncompetitive goods, are they not?

Senator WATSON. That is, noncompetitive with what they make in this country?

Senator McLEAN. Yes.

Mr. EDDY. With what we make, or what others make?

Senator McLEAN. What you make.

Mr. EDDY. In a large measure; yes, sir.

Senator McLEAN. Can you give the committee any idea of the percentage of your foreign importations compared with your total annual turnover?

Mr. EDDY. Would you clarify that question?

Senator McLEAN. What percentage of your annual turnover of goods do you import?

Mr. EDDY. Do you mean by that the foreign value or the landed value?

Senator McLEAN. Well, either.

Mr. EDDY. You would have to take the landed value, because that is our cost.

Senator McLEAN. Take either one.

Mr. EDDY. Around 10 per cent, ranging from 10 to 15 per cent in different years.

Senator McLEAN. So that you manufacture here 90 per cent of your sales?

Mr. EDDY. Well, we are buying in the open market as well as manufacturing.

Senator McLEAN. Goods that are produced in this country?

Mr. EDDY. We are buying in the open market in those, too.

The CHAIRMAN. Do you bring much stuff over here by the post?

Mr. EDDY. Probably not as much, Senator, as many others do, because we have our established offices abroad, and they look after the consolidation of shipments, so that we probably have a less amount of that than many other people.

Senator McLEAN. I suppose the articles you manufacture here come in competition with foreign goods?

Mr. EDDY. In a measure they do; that is the general class of competition.

The CHAIRMAN. Have you any amendments to suggest to this part of the bill, or do you object to the whole proposition?

Mr. EDDY. I have a little more to add, Senator, if I may.

The CHAIRMAN. Go on.

Mr. EDDY. While we all believe in a fair measure of protection for American industries, and we are satisfied with any reasonable rates that may be fixed, provided they are levied in a clear, straightforward way, we feel that the bill as drawn meets neither requirement.

For the information of the committee we have selected a number of imported articles in the statement I wish to submit herewith.

I took at random a number of items which we are importing, showing the rate and amount of duty which we are paying under the present law, our landed cost, and our selling price. Then we have estimated the amount which we would have to sell these articles for to produce the same profit to ourselves and pay the duty as under the Fordney bill. In another column we have figured out the percentage equivalent of these amounts of duty to the foreign value.

Senator SMOOR. Will you put that full statement in the record?

Mr. EDDY. I will file it in the record.

(The statement above referred to is as follows:)

Comparison of selling prices and duty under present law with those under Forney bill.

Merchandise.	Country.	Foreign cost.	Amount of 1913 duty.	Landed cost, including duty.	Percentage on sales price to cover business expenses and profits.	Present selling price.	Duty under new tariff.	Selling price under new tariff figured to give same percentage of profit.	Equivalent to foreign cost.
					<i>Per cent.</i>				<i>Per cent.</i>
Leather gloves, women's.	France.	202 francs per doz.	\$2 doz.	\$17 doz.	24	\$22.50 doz.	37½ p. ct.=\$14.60.	\$39 doz.	100
Do.	do.	218 francs per doz.	\$2 doz.	\$18.50 doz.	23	\$24 doz.	37½ p. ct.=\$15.75.	\$42 doz.	100
Cotton hosiery, children's.	Germany.	162 marks per doz. (50 p. ct.)	\$1.22 doz.	\$4.70 doz.	22	\$6 doz.	35 p. ct.=\$2.80.	\$8 doz.	110
Do.	do.	122 marks per doz. (50 p. ct.)	\$0.92 doz.	\$3.08 doz.	18	\$4.50 doz.	35 p. ct.=\$2.10.	\$6 doz.	115
Cotton handkerchiefs, embroidered.	Switzerland.	4.60 francs per doz. (60 p. ct.)	\$0.47 doz.	\$1.54 doz.	23	\$2 doz.	42 p. ct.=\$1.26.	\$3 doz.	158
Do.	do.	11.25 francs per doz. (60 p. ct.)	\$1.15 doz.	\$3.77 doz.	11	\$4.25 doz.	42 p. ct.=\$2.35.	\$5.60 doz.	122
Linen handkerchiefs, embroidered.	Ireland.	9/3 per doz. (60 p. ct.)	\$1.14 doz.	\$3.33 doz.	22	\$4.25 doz.	42 p. ct.=\$2.52.	\$6 doz.	132
Cotton handkerchiefs, hemstitched.	do.	4/6½ per doz. (50 p. ct.)	\$0.28 doz.	\$1.32 doz.	29	\$1.85 doz.	30 p. ct.=\$0.78.	\$2.60 doz.	84
Cotton warp sateen, unbleached.	England.	13d. per yd. (27½ p. ct.)	\$0.06 yd.	\$0.38 yd.	33	\$0.57 yd.	29 p. ct.=\$0.25.	\$0.85 yd.	104
Cotton chamoisuede gloves, 2-clasp.	Germany.	190 marks per doz. (35 p. ct.)	\$1 doz.	\$3.95 doz.	21	\$5 doz.	40 p. ct.=\$3.04.	\$7.60 doz.	106
Cotton chamoisuede gloves, 24 inches.	do.	330 marks per doz. (35 p. ct.)	\$1.73 doz.	\$6.86 doz.	19	\$8.50 doz.	40 p. ct.=\$5.12.	\$12.80 doz.	104
Wool gloves, women's.	Germany.	Emergency	\$0.90	\$6.98 doz.			36 c. lb.=\$0.72.		
Do.	do.	155 marks per doz. (40 p. ct.)	\$0.93	\$5.07 doz.	22	\$6.50 doz.	30 p. ct.=\$2.82.	\$9.40 doz.	152
Cotton, embroidered voile.	Switzerland.	4.50 francs per yd (60 p. ct.)	\$0.46 yd.	\$1.45 yd.	27	\$2 yd.	42 p. ct.=\$1.34.	\$3.20 yd.	177
Linen tablecloths.	Ireland.	15/3 each (35 p. ct.)	\$1.09 each.	\$4.53 each.	20	\$6 each.	28 p. ct.=\$2.02.	\$7.20 each.	65
Linen napkins.	do.	13/3 each (35 p. ct.)	\$0.95 each.	\$4.19 each.	18	\$5.10 each.	28 p. ct.=\$2.17.	\$7.75 each.	80
Brushes (toilet).	France.	294 francs per gross (35 p. ct.)	\$8.13 gross.	\$34.10 gross.	24	\$45 gross.	35 p. ct.=\$22.05.	\$63 gross.	98
Cotton braids.	Germany.	101.30 marks per gross (60 p. ct.)	\$0.91 gross.	\$3.04 gross.	24	\$4 gross.	42 p. ct.=\$2.62.	\$6.25 gross.	172

Senator WATSON. Will you give two or three illustrations from that statement?

Mr. EDDY. They vary from 65 per cent, which is the percentage that this new law would bear to the foreign cost, to 177 per cent.

The CHAIRMAN. Name a few of the staples.

Mr. EDDY. French leather gloves would run about 100 per cent.

Senator REED. What do you mean by that, 100 per cent above the present tariff?

Mr. EDDY. No; 100 per cent of the foreign cost, the price that we would pay abroad. Cotton hosiery, one item 110 per cent; another item 115 per cent.

Senator WATSON. You said you had there for 1909 and 1913 the tariff you now pay?

The CHAIRMAN. Do you consider the hosiery rate too high?

Mr. EDDY. As fixed under this bill it is 110 to 115 per cent. I would say that would be too high.

Senator SMOOT. Is that on the foreign value?

Mr. EDDY. Yes, sir.

Senator SMOOT. Added to that would be the freight—

Mr. EDDY. No; I am just comparing the amounts of duty. That is merely a comparison of the amounts of duty.

Senator SMOOT. Then, you have to take out of that the freight and the expense of selling, and so forth?

Mr. EDDY. On leather gloves, on which we paid \$2 a dozen, we would have to pay \$14.60, raising our price from \$22.50 to \$39. On another item, on which we pay \$2 a dozen now, we would then be called upon to pay \$15.75 and to raise our price from \$24 to \$42.

Senator REED. What is that item?

Mr. EDDY. Leather gloves. On cotton hosiery, one item the duty would amount to \$1.22 under the present law, under the proposed law \$2.80; and we would have to advance our price from \$6 to \$8 a dozen. On another item of hosiery the duty would amount to 92 cents a dozen and under the proposed law \$2.10, and we would have to advance our price from \$4.50 to \$6 a dozen.

Senator REED. Now, wait a minute. Will you tell me why, if the duty is advanced from 92 cents to \$2.10, you have to advance your price to from \$4.50 to \$6?

Mr. EDDY. Well, we are paying \$1.18 more duty, and we are figuring the same percentage of profit on the investment as we figured before.

Senator REED. But how do you get it then?

Mr. EDDY. I do not understand you, Senator.

Senator REED. May I have that paper to use for a moment? I take now the item of leather gloves. I am going to read this, with the permission of the committee. "Leather gloves, women's. Country, France. Fcs." What does that mean?

Mr. EDDY. Francs.

Senator REED. "Foreign cost, 202 francs per dozen. Duty \$2. Landed cost \$17." Now, that means that these gloves cost you landed in this country \$17 a dozen, does it not?

Mr. EDDY. Yes, sir.

Senator REED. I continue reading: "Present selling price \$22.50." That means that you would sell those gloves, which cost you landed here \$17, for \$22.50, and you make a profit of \$5.50. The new duty is 37½ per cent figured on the \$22.50, and you carry that out at \$14.60

Senator SMOOT. It is not that.

Mr. EDDY. It is 35 per cent duty.

Senator SMOOT. That would be \$7.72 as the duty.

Senator REED. You have carried it out here as \$14.60.

Mr. EDDY. I can not remember the tariff, but there is a provision in there for certain specific rates of duty, but not less than 37½. I can not explain that to you without checking up the items.

Senator REED. Well, you can very readily see that 37½ per cent duty figured on \$22.50 will not give you \$14.60. We run into a manifest mistake in figures, it seems to me.

Senator SMOOT. That is only a mistake of 100 per cent, but that is not as much as the balance of it.

Senator REED. There may be some other duty to add in there, but, if so, it is not shown in the table.

Mr. EDDY. It is not shown in the table here. That is right, Senator; that would figure out around 50 per cent duty on the gloves.

Senator REED. Mr. Chairman, I beg to suggest that before this table goes into the record the witness be permitted to stand aside and check up his statement so that he can speak to us with accuracy, because I find that in these hearings the value is largely lost, owing to the fact that we get a lot of things mixed up and have a lot of cross-examination instead of clear statements.

The CHAIRMAN. I think in reading the record the last 10 minutes of this hearing would be quite confusing.

Senator SMOOT. Not nearly as confusing as the figures presented.

The CHAIRMAN. I have no doubt of that.

Senator McLEAN. Are these articles which you are calling attention to articles which you imported?

Mr. EDDY. Yes, sir.

The CHAIRMAN. Do you produce any of them in this country yourself?

Mr. EDDY. Not these articles.

The CHAIRMAN. Then you speak as an importer in this matter?

Mr. EDDY. On this particular thing, yes; sir.

Senator SMOOT. This table simply shows this: That for the additional tariff that he speaks of here—and he claims it to be \$22.50 as the selling price on account of the additional tariff—it is to be sold for \$39. That is a difference of \$16.50, and the tariff is \$7.72.

Mr. EDDY. That is an estimated figure. It would follow any tariff, and the tariff would follow, all the way through, the selling price as well.

If the duty is changed, the selling price would change also, because this is merely an estimate.

The CHAIRMAN. Would it not be a good idea for you to take these figures and revise them and appear before the committee later?

Mr. EDDY. I should like to appear before the committee again this afternoon, if possible.

Senator REED. When you go to revise the table I beg to suggest that you bring back the original with you.

The CHAIRMAN. It has been ordered to be printed in the notes. The committee will be in session until 5 o'clock this afternoon, Mr. Eddy, and if you will come back with your data in accurate shape we shall be glad to hear you. Have you any further statement to make to the committee now?

Mr. EDDY. Yes, Senator, I have a statement showing the foreign prices of imported commodities, the price which we paid in 1914 and similar goods imported in the fall of 1920 and 1921, the first reduced at the normal rates of exchange and the second reduced at the current rates of exchange, which will show the change in the level of prices.

Senator McLEAN. Data from what countries?

Mr. EDDY. They are from France, England, Germany, Japan, Switzerland; all countries.

The CHAIRMAN. Do you desire to have that printed in the record?

Mr. EDDY. Yes, sir.

The CHAIRMAN. It will be printed then.

(The statement above referred to is as follows:)

Comparison of foreign prices of imported commodities, 1914 and 1920-21.

Department.	Description.	Country.	1914			1920-21		
			Foreign price.	Rate.	Dollars.	Foreign price.	Rate.	Dollars.
				<i>Per cent.</i>			<i>Per cent.</i>	
3	Wool crêpe, 43 inches.	France..	1.67 francs...	0.193	0.32½	19.26 francs...	0.06½	1.25½
4	Silk fabrics, 8½ millimeters (36 inches)	Japan...	9.10 yen.....	.50	4.55	10.30 yen.....	.50	5.15
4	Silk fabrics, 4½ millimeters (27 inches)	do.....	8.80 yen.....	.50	4.40	11.40 yen.....	.50	5.70
4	Cotton velveteen, 44 inches	England	4s. 9d.	4.86	1.15½	11s. 2d.	3.75	2.09½
4	Cotton velveteen, 27 inches	do.....	3s. 4d.	4.86	.81	5s. 7½d.	3.75	1.06½
4	Cotton velveteen, 24 inches	do.....	2s. ½d.	4.86	.49½	5s. 2d.	3.75	.97
15	Cotton hose.....	Germany	8.40 marks .....	.24	2.02	195 marks.....	.015	2.93
15	do.....	do.....	8.80 marks .....	.24	2.11	225 marks.....	.015	3.38
15	do.....	do.....	6.20 marks .....	.24	1.49	220 marks.....	.105	3.30
15	do.....	do.....	8.40 marks .....	.24	2.02	290 marks.....	.105	4.35
15	do.....	do.....	5.60 marks .....	.24	1.34	195 marks.....	.105	2.98
15	do.....	England	15s. 6d.	4.86	3.77	41s. 6d.	3.75	7.78
15	do.....	do.....	10s. 6d.	4.86	2.55	29s.	3.75	5.44
15	do.....	do.....	12s. 8d.	4.86	3.08	30s. 9d.	3.75	5.77
16	Ladies' cotton chamois suede gloves.	Germany	5 marks.....	.24	1.20	160 marks.....	.01½	2.40
16	do.....	do.....	8.75 marks.....	.24	2.10	350 marks.....	.01½	5.25
16	Ladies' cotton lisle suede gloves.	do.....	5.50 marks.....	.24	1.32	160 marks.....	.01½	2.40
16	do.....	do.....	9 marks.....	.24	2.16	350 marks.....	.01½	5.25
16	Ladies' cotton lisle chamoisette gloves.	do.....	4.75 marks.....	.24	1.14	225 marks.....	.01½	3.38
16	do.....	do.....	9.40 marks.....	.24	2.26	400 marks.....	.01½	6.00
18	Linen damask, 72-inch	England	2s. 9½d.	4.86	.68	9s. 4d.	3.75	1.75
18	Linen cloths 3/4	do.....	3s. 2½d.	4.86	.78	15s. 6d.	3.75	2.91
18	Linen napkins 22/22	do.....	6s. 3d.	4.86	1.52	20s. 2d.	3.75	3.78
18	Plain linen, 36-inch	do.....	9½d.	4.86	.18½	19½d.	3.75	.30½
18	Linen damask	do.....	2s. 1d.	4.86	.50½	8s. 5d.	3.75	1.58
18	Linen napkins	do.....	3s. 9d.	4.86	.91½	13s. 3d.	3.75	2.49
18	Linen crash	do.....	2½d.	4.86	.05½	10½d.	3.75	.16½
19	Ladies' lamb shoes, 16 button, overseam.	Germany	50 marks.....	.24	12	1,424 marks...	.015	21.36
19	Ladies' real kid, 2 clasps, overseam.	do.....	24 marks.....	.24	5.76	800 marks...	.015	12.00
19	do.....	France..	35.25 francs...	.193	6.80	280 francs...	.065	18.20
19	do.....	do.....	40 francs.....	.193	7.72	303 francs...	.065	19.70
19	Ladies' real kid, 2 clasps, pique.	do.....	40 francs.....	.193	7.72	311 francs...	.065	20.22
19	do.....	do.....	47.50 francs...	.193	9.17	370 francs...	.065	24.05
19	Ladies' real kid, 8-button, overseam.	do.....	50 francs.....	.193	9.65	420 francs...	.065	27.30
19	Ladies' real kid, 12-button, overseam.	do.....	60 francs.....	.193	11.58	503 francs...	.065	32.70
19	Ladies' real kid, 16-button, overseam.	do.....	89 francs.....	.193	17.18	603 francs...	.065	39.20
19	Ladies' real kid, 20-button, overseam.	do.....	101 francs...	.193	19.49	813 francs...	.065	52.85
21	Watches	Switz-erland.	11.80 francs...	.193	2.28	24.50 francs...	.16	3.92
21	do.....	do.....	16.25 francs...	.193	3.14	28.75 francs...	.16	4.60
21	do.....	do.....	32.25 francs...	.193	6.22	48.50 francs...	.16	7.76
21	Pearl beads	France..	11.40 francs...	.193	2.20	20.80 francs...	.065	1.35

Comparison of foreign prices of imported commodities, 1914 and 1920-21—Continued.

Department.	Description.	Country.	1914			1920-21		
			Foreign price.	Rate.	Dollars.	Foreign price.	Rate.	Dollars.
				<i>Per cent.</i>			<i>Per cent.</i>	
23	Hair nets, silk	France	5.65 francs.	1.93	1.09	25 francs.	0.065	1.63
23	Needles	England	8s. 6d.	4.86	2.07	15s.	3.75	2.81
31-32-36	Cotton lace	do.	7d.	4.86	1.44	22d.	3.75	.344
31-32-36	do.	do.	7d.	4.86	1.44	20d.	3.75	.324
31-32-36	Wash blonde net, cotton	do.	7½d.	4.86	1.44	20d.	3.75	.311
31-32-36	Cotton cable net	do.	5d.	4.86	1.04	13½d.	3.75	.211
31-32-36	Cotton point de esprit lace	do.	4d.	4.86	.081	13d.	3.75	.204
31-32-36	Silk illusion net	do.	8½d.	4.86	1.73	24½d.	3.75	.38
31-32-36	Silk net	do.	2½d.	4.86	.43	46½d.	3.75	.73
31-32-36	Cotton yarn, 98/2	do.	2s. 10½d.	4.86	.694	9s. 5d.	3.75	1.761
31-32-36	Cotton yarn, 160/2	do.	5s. 2d.	4.86	1.254	16s. 6d.	3.75	3.094
31-32-36	Lace	France	0.075 francs.	.193	.014	0.376 francs.	.065	.024
31-32-36	do.	do.	0.1175 francs.	.193	.024	0.385 francs.	.065	.024
31-32-36	do.	do.	0.04 francs.	.193	.0077	0.19 francs.	.065	.014
31-32-36	do.	do.	0.0765 francs.	.193	.014	0.485 francs.	.065	.034
31-32-36	Maline net	do.	0.26 francs.	.193	.05	1.45 francs.	.065	.094
31-32-36	Chiffon	do.	0.80 francs.	.193	.154	3.60 francs.	.065	.234
31-32-36	Chiffon veiling	do.	0.74 francs.	.193	.143	2.80 francs.	.065	.184
33	Cotton lace curtains	England	6s. 5d.	4.86	1.56	17s.	3.75	3.19
33	do.	do.	9s.	4.86	2.19	21s. 7d.	3.75	4.05
33	do.	do.	6s. 5d.	4.86	1.56	15s. 6d.	3.75	2.91
33	Cotton madras	do.	5d.	4.86	.104	16½d.	3.75	.254
33	Cotton Irish point curtains	Switzerland.	11.80 francs.	.193	2.28	26.75 francs.	.16	4.28
33	do.	do.	15.50 francs.	.193	2.99	38 francs.	.16	6.08
33	do.	do.	15.10 francs.	.193	2.914	39.15 francs.	.16	6.264
41	Toys	Germany	9.75 marks.	.24	2.34	232.50 marks	.015	3.49
44	Handkerchiefs, linen	Ireland.	7½d.	4.86	.154	27½d.	3.75	.424
44	Dress linen	do.	6½d.	4.86	.134	25d.	3.75	.39
44	Cotton, pearl line lawn	England	4½d.	4.86	.094	10½d.	3.75	.164
44	Cotton, organdie	Switzerland.	0.99 francs.	.193	.194	1.77 francs.	.16	.284
44	do.	France	1.25 francs.	.193	.244	9.75 francs.	.065	.634
46	36-inch linen cambrics	Ireland.	6d.	4.86	.124	23½d.	3.75	.37
46	do.	do.	6½d.	4.86	.13	23d.	3.75	.37
46	38-inch linen cambrics	do.	7½d.	4.86	.154	26½d.	3.75	.414
46	do.	do.	8d.	4.86	.164	30½d.	3.75	.474
46	do.	do.	8½d.	4.86	.18	33½d.	3.75	.524
46	do.	do.	9½d.	4.86	.19	37½d.	3.75	.584
46	do.	do.	11d.	4.86	.224	39½d.	3.75	.62
46	do.	do.	12d.	4.86	.244	41½d.	3.75	.644
46	40-inch linen cambrics	do.	13½d.	4.86	.274	47d.	3.75	.734
46	38-inch linen cambrics	do.	14½d.	4.86	.304	48½d.	3.75	.754
46	39-inch linen cambrics	do.	9d.	4.86	.184	28½d.	3.75	.44
46	36-inch sheer linens	do.	9½d.	4.86	.19	30½d.	3.75	.474
46	39-inch sheer linens	do.	11½d.	4.86	.224	35½d.	3.75	.56
46	do.	do.	12½d.	4.86	.254	39½d.	3.75	.62
46	do.	do.	15½d.	4.86	.314	44½d.	3.75	.694
46	do.	do.	16½d.	4.86	.334	47½d.	3.75	.74

Mr. EDDY. I would like also to just insert in the record a telegram which was sent by the merchants and bankers of Chicago to their Representative before the bill was passed. It is as follows:

Under American-valuation plan which forms the basis of the Fordney tariff bill, H. R. 7456, merchants can not determine the cost of imported merchandise prior to its actual arrival and clearance through the customhouse. Goods can not be sold in advance of delivery without knowledge of costs; purchases abroad would practically cease, with consequent loss of revenue to Government. The rates provided in the bill when applied under the American-valuation clause unwarrantably increase costs which the consumer must bear. While we all believe in a fair measure of protection to American industries, this bill is designed solely in the interest of the domestic producer who fixes the amount of duties his competitor is obliged to pay. It gives him absolute control of the market, enabling him to advance prices without foreign competition. The American-valuation plan is especially unreasonable and unwarranted when viewed in the light of our rapidly declining imports. The reduction in our purchasing abroad is seriously affecting our international trade. Shipments of our surplus products to foreign countries is rapidly declining. The American-valuation plan if enacted into law will go far to destroy our foreign trade, for if we do

not buy we can not sell. We believe that in the interest of the general industries of the country and the consuming public this bill should be defeated, and urge you as our Representative to vote against the measure.

Marshall Field & Co.; Carson, Pirie, Scott & Co.; John V. Farwell Co.; Chas. A. Stevens & Bros.; Mandel Bros.; Pitkin & Brooks; Rothschild & Co.; The Fair; Hart, Schaffner & Marx; Albert Pick & Co.; Gage Bros. & Co.; Montgomery Ward & Co.; Butler Bros.; Sears, Roebuck & Co.; Merchants' Loan & Trust Co., by E. D. Hulbert, president; Illinois Trust & Savings Bank, by John J. Mitchell, chairman; Corn Exchange National Bank, by Ernest A. Hamill, president; National Bank of the Republic, by W. T. Fenton, first vice president; Union Trust Co., by F. H. Rawson, president; W. A. Wieboldt & Co.; E. Iverson & Co.; E. H. Knoop & Co.; Loren Miller & Co.; Laboratory Materials Co.; Berghoff Importing Co.; Illinois Watch Case Co.; Boston Store; Lyon & Healy; Irvin-Smith Co. (Inc.); Burley & Co.; Jacobi, Williams Jamieson Co.; D. B. Fisk & Co.; G. W. Sheldon & Co.; Peter Van Schaak & Son; A. B. Fielder & Sons; Francis T. Simmons & Co.; Tonk Bros. Co.; Wm. Lewis & Son; Worms & Loeb; Morris Woolf Silk Co.; A. L. Randall Co.; Chicago Mercantile Co.

Separate telegrams sent to the following: Martin R. Madden, James R. Mann, Elliott W. Sproul, John W. Rainey, Adolph J. Sabath, John J. Gorman, M. A. Michaelson, Stanley H. Kunz, Fred A. Britton, Carl R. Chindblom, Ira C. Copley, Charles E. Fuller, John C. McKenzie, and Richard Yates.

The CHAIRMAN. Did you make any effort to come to Washington to be heard? Did you or your associates mentioned in this telegram make any effort to come to Washington to be heard?

Senator LA FOLLETTE. This telegram was addressed to their Representatives.

The CHAIRMAN. I understand that. I want to know, Mr. Eddy, whether, in addition to this telegram, you made any effort to come here and appear before the Ways and Means Committee?

Mr. EDDY. We did not appear at the hearings. We filed briefs.

Senator REED. Are you through, Mr. Chairman?

The CHAIRMAN. Yes.

Senator REED. When you bring in these tables this afternoon, Mr. Eddy, I wish you would add to them the retail price at which you retail these goods. You have said that the tables state the foreign price, the costs of transportation to this country and delivery to you, and your wholesale price which would give us your wholesale profits. Now, I would like to have the retail price also. You handle them in retail in your store, do you not?

Mr. EDDY. Yes, sir; but I doubt if I would be able to give them offhand.

Senator REED. I am very curious to know whether you could not use the wire and get us the retail prices at which you have been selling these particular goods. I am going to be frank with you. I want to find out some reason why a cow's skin sells for \$1.25 and a pair of shoes sells for \$12 and their retailer says he is not making any money and the wholesaler swears he is not.

Senator WATSON. And the jobber swears he is not.

The CHAIRMAN. You pay for the style of the shoe, maybe.

Senator REED. I do not. I buy anything I can get on my feet.

The CHAIRMAN. Have you any further statement to make to the committee, Mr. Eddy?

Mr. EDDY. No, sir.

The CHAIRMAN. We will next call Mr. Rafter, representing the Lace and Embroidery Association of America.

STATEMENT OF JOHN R. RAFTER, NEW YORK CITY, REPRESENTING THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA.

The CHAIRMAN. What is your name?

Mr. RAFTER. John R. Rafter.

The CHAIRMAN. Are you an attorney?

Mr. RAFTER. Yes, sir.

The CHAIRMAN. Do you represent this association as an attorney?

Mr. RAFTER. Yes, sir.

The CHAIRMAN. Well, the committee much prefers to hear the principals in these businesses.

Senator SMOOT. Mr. Rafter has been here representing them before.

The CHAIRMAN. I know you have been here a number of times for them. It is infinitely more forcible with the committee if we have the people who produce the fabrics, but still I do not cast any reflection on your ability as an attorney. You may go on in your own way and state what you want to.

Mr. RAFTER. Mr. Chairman and gentlemen, the Lace and Embroidery Association of America has a membership which embraces 40 businesses in New York City, and I believe 1 outside, in Philadelphia.

The CHAIRMAN. Excuse me one moment, Mr. Rafter. Do you reside here in Washington?

Mr. RAFTER. No, sir; I reside in New York.

The CHAIRMAN. There are a number of gentlemen here in their own person, and it seems to me the committee ought to hear them.

Mr. RAFTER. I shall be very glad to defer to anybody.

The CHAIRMAN. All right, if you will then defer, or could you dispense with taking up the time of the committee by filing a brief?

Mr. RAFTER. I would much prefer, Senator, to be permitted to speak on the subject, if I may.

The CHAIRMAN. Well, later in the day we will hear you. Is Mr. R. S. Oliver, representing the A. B. Hendrik Co., of New Haven, Conn., present? Evidently Mr. Oliver is not present. We will now hear Mr. Jacob de Jong, if he is present.

STATEMENT OF JACOB DE JONG, NEW YORK CITY, PRESIDENT OF THE FLOWER AND FEATHER MANUFACTURERS OF AMERICA.

The CHAIRMAN. Whom do you represent, Mr. de Jong?

Mr. DE JONG. Mr. Chairman, I am president of the Flower and Feather Manufacturers of America, and I am president of the Associated Home Work Industries of the State of New York.

The CHAIRMAN. You are in the business yourself?

Mr. DE JONG. I am one of the largest manufacturers myself, and I believe that to a certain extent I am partly responsible for the condition that we are confronted with now. I am one of those who prevailed upon the Ways and Means Committee to adopt some means by which we American manufacturers could continue in business.

The CHAIRMAN. You make both flowers and feathers?

Mr. DE JONG. Yes, sir; we do. I advocated several propositions in the emergency bill. After careful study I knew of no other method by which conditions that prevailed throughout the world to-day could be remedied, as far as domestic industry is concerned, except through levying duty on the real value of any article imported.

I admit that, to a certain extent, the method of assessing ad valorem duty on American valuation presents obstacles and difficulties. We all realize that. But I believe that if that method had been in operation for a hundred years, or since our present method is in operation, it would be more perfect and answer the purpose better than our present system, because under the system of assessing ad valorem duties on foreign valuation our tariff laws are nullified, because there is no certain method for an appraiser or customhouse official to base value on any merchandise that comes from Germany or Czechoslovakia, as far as its home valuation is concerned. The currency in that country that produces commodities and necessities has a greater power to produce those commodities and necessities than if you translate that currency into American or world standards, and yet you have to compete with it.

I am surprised, Mr. Chairman, that men in important concerns in this country, such as Marshall Field & Co., send representatives here, although, on their own admission, they import but 10 per cent of the articles in which they deal. Then we must assume that 90 per cent constitutes domestic goods. What motive or object can they have for the sake of getting a lower reduction on that 10 per cent to sacrifice 90 per cent of their business? Have they the interest of the domestic industry at heart? I have seen many importers come here and say they are manufacturers. They came before the Ways and Means Committee also. I have in mind a concern whose principal business is importing and who are interested in factories in Germany and who I am told are opposed to this method.

Senator REED. Opposed to which method?

Mr. DE JONG. The American valuation system.

Senator REED. What is the name of that concern who is interested in factories in Germany that appeared before the Ways and Means Committee?

Mr. DE JONG. Who is vitally interested in the importing business?

Senator REED. No; who was before the Ways and Means Committee and who has factories in Germany, as you said?

Mr. DE JONG. The firm of George Borgfeld & Co., in which Mr. Doherty, who was formerly a customs inspector and a United States official, is now in their employ, is one of those firms that are bitterly fighting American valuation.

Senator REED. Have they factories in Germany and in other foreign countries?

Mr. DE JONG. It is my belief, from the information that I have, that that firm is directly or indirectly interested in factories in Germany.

Senator REED. You made a positive assertion a few minutes ago. Now you say that your belief is that they are directly or indirectly interested. That is quite a different statement. Upon what do you base your belief?

Mr. DE JONG. I have transacted business with them, and they have told me that they controlled certain products made in Germany, and that I could buy them cheaper there than anywhere else.

Senator REED. From them?

Mr. DE JONG. Yes.

Senator REED. It is a common thing for men in trade to claim that they have some advantage and can give their customers some advantage.

Mr. DE JONG. I think I have seen factories in Germany with the firm name of George Borgfeld & Co. on them.

Senator REED. I move that we call this firm in here and settle this question.

Mr. DE JONG. Mr. Doherty is here.

Senator WATSON. I think we would get at the facts better if this witness would go on and give the reasons he is for this measure.

The CHAIRMAN. Let the witness make his statement and make it brief. Let him state what his views are and then we will proceed.

Mr. DE JONG. The proposition that confronts us now and confronts the Senate committee is the adoption of the method of American valuation in the assessment of duties. I realize that unless your committee can agree or unless the Senate can agree upon that method, there will not be any tariff bill for a long time, because all the schedules are based on the principle of American valuation. We manufacturers naturally realize that. It is a question then for us to see whether the American valuation is such a tremendous detriment or is such a dangerous experiment that this country dare not put it in operation.

In my country where I was born—and I was born in Holland—the system of assessing ad valorem duties has always been on value in Holland itself. To my mind I know of no reason why we can not ascertain the American wholesale market values as easily as we can ascertain the foreign market values throughout the world without having the people to ascertain them. There are but six men connected with the Treasury Department scattered throughout the world, and but one in Germany and one in Japan. How can we possibly ascertain the home-market value in these countries?

The CHAIRMAN. We are talking of putting 25 men on that work.

Mr. DE JONG. That would not make any difference. If you put 50 men in Germany I do not think you could ascertain the market values of all products that Germany sends here. I have in mind an article that I want to show this committee. Here is an artificial flower that is shipped from Germany at 40 marks a dozen. That is about 50 cents a dozen. They are not shipped in single dozens, but thousands and tens of thousands of dozens. That is the manufacturer's price which he arranges with the importer. What is the German wholesale value of this article when the material actually in this particular article costs in Germany more than that price? If you do not figure the cost of labor in Germany at all, even though it is practically so small that it does not figure so much in the cost of production, the material actually used in this article costs more than the German price made to the American importer, because they have been accumulated during the war.

The CHAIRMAN. Are those flowers made in the homes?

Mr. DE JONG. They are all made in the homes and partly by children. I am president of the Associated Home Work Industries of the State of New York. We have endeavored to cut out all child labor in our industries in New York.

Senator WATSON. Do you know what the raw material in that article costs?

Mr. DE JONG. As a manufacturer I could figure out to the slightest detail the cost of the raw material.

Senator WATSON. I want to know how you know what the raw material in that article costs in Germany?

Mr. DE JONG. Because I import some of the raw material from Germany.

Senator WATSON. You say that the raw material in that costs more than——

Mr. DE JONG. It costs more than the price at which it is sold.

Senator WATSON. In other words, they are selling at a loss?

Mr. DE JONG. They are selling below the cost of even the raw material.

Senator REED. That is to say, that a man takes raw material that costs a certain amount and puts an infinite amount of labor on it and then sells it for less than the raw material before he touched it? That is what you mean to say?

Mr. DE JONG. I mean to say that this material has been made up in Germany during the years of war by the women and children. It has been accumulated in enormous quantities.

The CHAIRMAN. They are sending us their accumulated stock?

Mr. DE JONG. They are. Most all countries with which Germany heretofore did business have prohibited the importation of this article. France has done so. Finland has put a duty on it of 1,400 marks a kilo.

The CHAIRMAN. Would the duty we have in the House bill keep this fabric out of the country?

Mr. DE JONG. The duty of the House bill based upon American valuation? This would not, to my mind, prevent the importation of the goods.

The CHAIRMAN. Would it protect the American industry?

Mr. DE JONG. It would to the extent that we could meet the German manufacturer of this article in our own market on an equal basis.

The CHAIRMAN. How much protection would it give you?

Mr. DE JONG. The protection under the American system would nicely conform to articles which are undervalued and which are not undervalued. When an article is sold in the American market at the legitimate price the duty would not be so much, but where it is sold at an illegitimate price, where an article like this costs to produce in this country by the American wholesale value \$4.50 a dozen and the duty is based on that, it will give us sufficient protection.

If the intent and purpose are that the American manufacturer can meet the foreign competitor in our own markets on an equal basis, with the difference which the tariff could cover being only the advantage that he has in cheaper labor, the American manufacturer fears competition from no part of the world.

Senator WATSON. What percentage would you have to put on that article imported from Germany to protect you under the existing law?

Mr. DE JONG. I have a letter here from the importer of that article, which, with your permission, I should like to read. It is as follows:

NEW YORK, January 24, 1921.

Mr. JACOB DE JONG,
President Associated Flower and Feather Manufacturers of America,
New York City.

DEAR SIR: By request of Mr. A. Gerstenzang, of your tariff committee, I present herewith the following information to be used, if you so determine, in your efforts to produce a revision of the tariff on our products.

In June, 1920, I placed, through an agent abroad, an order for 3,000 dozen artificial flower wreaths, samples of which I am submitting to you under separate cover; the

German manufacturer charging me for these goods the uniform price of 35 marks per dozen f. o. b. Hamburg, Germany. The market value of German marks at that time was \$1.72 per hundred marks.

These goods arrived, and in October, 1920, I reordered to the extent of 3,000 dozen more, but at the advanced price of 50 marks. The value of marks had, however, by this time depreciated to \$1.15 per hundred, making the price as figured in our currency even cheaper than the first shipment.

We have recently received the second lot of merchandise, and are now negotiating another order for 10,000 dozen more of the same wreaths at 40 marks per dozen.

I need not tell you that these goods found a very ready sale here in spite of the recent depression in business, and I do not hesitate to say that even if a duty of 400 per cent were imposed on this merchandise neither I nor any other responsible manufacturer could or would attempt to make up goods to compete with these at that cost.

Very truly, yours,

ISIDORE BURROS.

The CHAIRMAN. Is this a large industry in the United States?

Mr. DE JONG. The industry in the United States before the war, in 1914, was, to a certain extent, limited. During the war, when Germany could not send these goods here and we did not get any of these goods from Germany, it developed tremendously; it increased from a working force of, perhaps, 3,000 to over 10,000.

The CHAIRMAN. Where is it located?

Mr. DE JONG. It is located in the city of New York, 85 per cent of it. The output increased from, perhaps, \$5,000,000 to \$20,000,000.

The CHAIRMAN. Were you an importer before the war?

Mr. DE JONG. I have always been a manufacturer for 25 years of these articles in this country, and the article here is an article that I originated in this country. It is an American product.

The CHAIRMAN. There is no reason why you should not have been an importer, you understand?

Mr. DE JONG. I do import certain goods, but I am a manufacturer, because I do not import except some of the materials, like silks and other things I use in the manufacture of my goods. This class of goods was never made by Germany before the war. This was taken over by importers and copied by the Germans.

Senator REED. Before you get into that I want to ask a few questions. You talk pretty fast. I am going to ask you to answer these questions categorically. This article which you have shown us and about which you have talked so much is called what? By what name is it known?

Mr. DE JONG. An artificial flower wreath.

Senator REED. What is it used for?

Mr. DE JONG. The decoration of ladies' and children's hats.

Senator REED. You have displayed an article. What is that article sold for in Germany when it is landed here?

Mr. DE JONG. At the present rate of the mark, 40 marks a dozen. That would be in Germany under the present rate of the mark about 50 cents.

Senator REED. This wreath comes here and is delivered here at about 50 cents a dozen?

Mr. DE JONG. It is delivered here at the German price of that much. Naturally, the duty has to be paid.

Senator REED. That is duty free. What is the present duty?

Mr. DE JONG. Sixty per cent.

Senator REED. So that the article would cost 80 cents, would it?

Mr. DE JONG. The article would cost, at the present rate of the mark, duty paid, and covering everything, roughly, about \$1.20 a dozen, including cartage, cases, boxing, express, and so forth.

Senator REED. \$1.20 a dozen landed here?

Mr. DE JONG. Yes, sir.

Senator REED. And that is after the tariff has been paid?

Mr. DE JONG. That is after the tariff has been paid.

Senator REED. Do you make this article in the United States?

Mr. DE JONG. We make a similar and comparable article in competition to that.

Senator REED. What do you sell it for?

Mr. DE JONG. At the present time an article like that we would sell for \$4.50 a dozen.

Senator REED. Are you selling it at a fair and reasonable profit or at a high and exorbitant profit?

Mr. DE JONG. We are selling it at a fair and reasonable profit.

Senator REED. How long a time have these German goods—and I am speaking now of this wreath and similar articles—been brought into this country from Germany?

Mr. DE JONG. Since the armistice.

Senator REED. Notwithstanding the fact that these importations have been made at the price you state, you still have been able to sell your goods at a fair profit, realizing \$4.50 a dozen for them?

Mr. DE JONG. No; we have not been able to sell our goods. We laid off our hands and practically closed our establishment.

Senator REED. But you could sell them at \$4.50 a dozen and you can not sell them at less than that?

Mr. DE JONG. We can sell them at \$4.50, but not if the importer can land them at \$1.20. We can make a fair profit of \$4.50.

Senator REED. What do you call a fair profit?

Mr. DE JONG. Twenty per cent.

Senator REED. Then, how much tariff have you got to have to make it possible for you to compete with this German article on the European valuation? I do not want to get this American valuation into it at all.

Mr. DE JONG. Do you mean under the present system?

Senator REED. Yes.

Mr. DE JONG. I see what you want. Senator, you naturally realize—

Senator REED. Now, that is a simple question. It does not require any argument.

Mr. DE JONG. If the mark is 1.25, as it is to-day, the conditions are different than if the mark is 1.80 or 2 cents.

Senator REED. I am going to treat this with the market just exactly where it was when we started out with this illustration.

Mr. DE JONG. You mean where the mark is to-day?

Senator REED. Where the mark was at the time you made those figures.

Mr. DE JONG. And in order for us to compete with it?

Senator REED. Yes.

Mr. DE JONG. The duty would practically be the difference. Take \$4.50, our selling price, less 20 per cent profit, and the duty would be that difference. Or if you want to include the profit, then the duty would be the difference with the profit.

Senator REED. Then, it would be the difference between \$4.50 and 50 cents?

Mr. DE JONG. It would be the difference between \$4.50 and the import price of \$1.20.

Senator REED. But the \$1.20 includes the 60 per cent duty.

Mr. DE JONG. The \$1.20 includes the 60 per cent duty.

Senator REED. But I want to get rid of the duty. The article is produced in Germany at 50 cents.

Mr. DE JONG. Yes; sold to importers at 40 marks.

Senator REED. We are not considering the duty now.

Mr. DE JONG. The duty on that article would be 400 per cent.*

Senator REED. Let us get back to the question I am asking. I do not want to have to spend days on it. The article cost 50 cents in Germany?

Mr. DE JONG. Yes, sir.

Senator REED. The freight and boxing and handling to land it in this country would be how much?

Mr. DE JONG. Fifteen to twenty per cent.

Senator REED. Then it would be landed here for 50 cents outside of any duty. This German article that can be landed here for 60 cents you sell for \$4.50, and you want a tariff that will enable you to get \$4.50 for it.

Mr. DE JONG. No, sir.

Senator REED. So you want a tariff on that article of \$3.90, on an article that costs 60 cents to land here.

Mr. DE JONG. That particular article is not a legitimate article.

Senator REED. Why is it not legitimate?

Mr. DE JONG. It can not be made in Germany for that price.

Senator REED. I am not discussing that.

Mr. DE JONG. It is the exception that paralyzes our industry.

Senator REED. The exception is the thing you want to present, and hence you want a tariff high enough to prevent the exception which you say will paralyze your industry. How much of that variety of goods which you want this tariff on is there? How many people are there engaged in making it now in the United States?

Mr. DE JONG. About 200 manufacturers.

Senator REED. How many people are employed making these wreaths?

Mr. DE JONG. There are about 10,000.

Senator REED. What are the gross sales?

Mr. DE JONG. The gross sales of these 200 manufacturers?

Senator REED. For these articles now that we are talking about.

Mr. DE JONG. For what time?

Senator REED. What are their gross sales per year now?

Mr. DE JONG. The gross sales per year before the German article came into competition were perhaps in the neighborhood of \$18,000,000.

Senator REED. Of this particular article?

Mr. DE JONG. No; the entire line of artificial flowers and feathers.

Senator REED. But when you speak of the entire line of artificial flowers you are speaking of things similar to the sample you have produced?

Mr. DE JONG. Everything in that line.

Senator REED. There are 10,000 people employed?

Mr. DE JONG. Ten thousand people.

Senator REED. And the American people pay about \$18,000,000 at wholesale. Is that right?

Mr. DE JONG. For the product; yes.

Senator REED. And there are only 10,000 people in it for \$18,000,000. How much do you pay those 10,000 people in salaries?

Mr. DE JONG. An average of \$22 a week.

Senator REED. How much would that be? Can you tell me?

Mr. DE JONG. I did not bring the figures with me, but I have them. The pay roll in my establishment is about a quarter of a million dollars.

Senator REED. But your establishment that you are talking about is not engaged alone in making these flowers, is it?

Mr. DE JONG. That is the only thing.

Senator REED. You pay \$22 a week.

Mr. DE JONG. On an average.

Senator REED. Does that include office pay roll and everything else?

Mr. DE JONG. No; that includes the actual girl workers. The floor leaders get \$50 and \$60 and \$100. The shipping clerks get \$20 and \$25. Others get in proportion. I am speaking of the girls that actually do the work. Colorers get up to \$100.

Senator REED. You pay, then, on an average of about \$3.66 a day, and there are 300 working days in the year. Do they work 300 days?

Mr. DE JONG. No; they work on an average of 47 hours a week.

Senator REED. Will you give me the wages when you return after recess, the wages of these 10,000 people, per annum?

Mr. DE JONG. Do you mean before this class of goods came in?

Senator REED. Yes; when you were running at full speed. And I want to know the number of people employed and the wages paid to them now.

Mr. DE JONG. All right.

The CHAIRMAN. The committee, under the program, will stand adjourned until half past 2 o'clock this afternoon, when the other gentlemen who are here to be heard will have an opportunity, I hope.

(Whereupon, at 12.30 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.)

AFTER RECESS.

Senator McCUMBER. Mr. de Jong, you may resume your statement.

STATEMENT OF JACOB DE JONG—Resumed.

Mr. DE JONG. Mr. Chairman and gentlemen of the committee, I understand the argument has been made that \$130,000,000 worth of goods are imported through parcel post, and that there is no real provision or method to assess duties on them as they come practically at all post offices. In reference to that I want to introduce to your committee a circular received from a flower manufacturer in Germany, which has been mailed to thousands of American merchants, and that states that he is ready to submit and send us photographs of all his samples and sample quantities of German flowers, an assortment valued at 1,500 marks, consisting of flowers,

fruit, leaves, etc., ranging from 15 to 70 marks a dozen. Fifteen marks a dozen for German flowers under the present rate of the mark is less than 20 cents a dozen and less than 2 cents for each flower.

He states further, and this is in English:

Order your sample collection to-day and inclose check with order, and I ship all the goods by parcel post free of packing, insurance and delivery charges, and therefore you do not need any broker. By arrival of the goods in your country you will receive a notice from the post office in your district saying the amount of duty you have to pay, which is very little, and you simply get your package.

With that amount of goods in our land coming in through parcel post it presents a difficulty that is to be considered.

Under the new administrative provisions of the bill as passed in the House there is a provision for that. I will read it to you; it is section 506. [Reading.]

Merchandise treated as not imported. Merchandise not exceeding \$100 in value, merchandise damaged by fire or marine casualty on the voyage of importation, articles imported through the mails.

It further provides that the Secretary of the Treasury may provide such regulations as to govern such imports, and therefore under the provision of this new law the Secretary of the Treasury may provide a certain method by which such parcel post packages should pay the proper duty.

As to the principle that practically is on trial here to-day, the assessing of duties on American valuation, if we look closer into it, affect a very small percentage of our imports, and when you take into consideration that the present system under which we are now working acts practically as an embargo on the manufactured goods of those countries which have a higher labor cost, and if we by statistics see that the very countries which we practically exclude from our markets on certain articles are our largest customers, we realize the situation more clearly. During 1921 our largest customer was the United Kingdom, with \$1,825,000,000; the next is Canada, with \$871,000,000; France with \$676,000,000, Cuba with \$515,000,000, Japan with \$377,000,000, Italy with \$371,000,000, and Germany with \$311,000,000, and so on.

There you have the list of our largest customers, and where we consider the vital——

Senator McCUMBER (interposing). Are these exports to or exports from?

Mr. DE JONG. These are our exports to foreign countries, and the reason I state these figures is that under our present system of levying duties regardless of depreciation of foreign currency, we practically exclude those countries which are our largest customers from dealing with us on certain goods. Germany has replaced France in practically 75 per cent of the merchandise that France formerly exported to our country. In our line alone not many years ago France exported to the United States a far larger amount than Germany, but since the war and since the armistice Germany has practically driven the French producers in our class of goods from our markets, and she to that extent controls the American market.

Now, if we have in mind that we desire to continue our exports and that we must import manufactured goods in order that foreign

nations will be able to pay for the raw material or such as they need from us, I believe our first consideration is for those countries who are our largest customers and who we are most vitally interested in, so far as our exports are concerned.

As to the imports of articles which are naturally vitally concerned in the present method that is proposed for levying duties, the largest amount of such imports is sugar, which is in excess of \$1,000,000,000; and as far as the American valuation is concerned that practically can be left out of consideration.

The next largest imported article is raw silk, \$284,000,000. As far as the American valuation is concerned, those imports would not be affected.

The third largest item is coffee, \$252,000,000. As far as American valuation is concerned, it will not interfere with those imports.

The fourth is hides and skins, \$243,000,000. The question of duty on that is perhaps still open to a certain extent. To my mind the American valuation on that item plays no important part.

The next largest item is india rubber, unmanufactured, \$242,000,000. Surely that is not within the range of any disturbance so far as American valuation is concerned.

The next largest item is cotton, manufactured, \$138,000,000, which is mostly imported under a compound duty, partly specific, and to a certain extent ad valorem, and is only slightly affected by the American valuation.

The next largest item is wool, unmanufactured, \$126,000,000, not at all affected practically by American valuation.

Eighth among the chief import articles are the articles returned which are the growth, produce, and manufacture of the United States, to the extent of \$96,000,000, which certainly is not affected.

The ninth article is wood pulp, \$89,000,000, not affected.

The next is burlap, \$89,000,000, which is but slightly affected; furs and skins slightly affected, \$88,000,000.

Tobacco, manufactured, \$81,000,000, is not in the slightest degree affected.

Wheat, \$75,000,000, is not.

Flaxseed, or linseed, \$74,000,000, is not.

And thus we go on, practically through \$5,270,000,000 of our total imports—four billion and a half will not be in the slightest degree affected by reason of American valuation.

So then we come to other items which have to be taken in consideration in regard to the American valuation, and if you distribute it amongst the countries it is surprising to know that our largest imports from any one country is Cuba, with \$721,000,000. The business with Cuba in regard to those imports of \$721,000,000 would not be in the slightest affected by the adoption of American valuation.

Canada, \$611,000,000. Canada would be benefited by the American valuation, and, in fact, the United Kingdom, with \$513,000,000, would be benefited; Japan perhaps not, but so on through the list we find no serious obstacle so far as the fundamental imports and exportation interest of this Nation is concerned in the application of American valuation.

New York as a port receives \$2,890,000,000 of our imports, or more than 55 per cent, and it was conceded and recognized that among

those imports in the port of New York all articles which come under the classifications and will be affected by American valuation are practically centered in that port. In other words, the trouble and difficulty that will be presented by the adoption will be centered in the city of New York, and there is no doubt in my mind that the force necessary for the proper ascertaining of American value in the imports in the city of New York does not offer insurmountable difficulties.

The question has been raised, "How can the importers continue in business under the American valuation system?" I have given that serious and careful consideration. I have compared some of the schedules of the Underwood bill with this new bill, and I have found in such articles where the difference in labor and fabrication is large the duties under the American valuation will be perhaps larger than under the general rates of the Underwood bill, but in no case in excess of the difference between the cost of production in the country from whence those articles are imported, compared with the cost of production in our own country. And as we have agreed not only in the Republican platform, but in the last election and by every assertion that has been made by the most responsible man in our Government, that the domestic manufacturer is entitled to that degree of protection that he can meet his foreign competitor on equal terms in our own markets, we must agree that no American can object that the duty should be fixed at the difference in the cost of production.

We, as American manufacturers, can meet all the world in competition. We could meet those low countries if we could produce our labor on the same level. But what would America gain if we reduced our working people to the lowest level? Suppose we followed the example of Germany; deliberately depreciated our currency in order that we can export our products to all parts of the world at a lower price? Germany's policy necessarily requires that she keep her currency valuation down, because with that depreciated currency she gets production, she pays her labor, and the fact must be apparent to every thinking man who has studied the situation that to-day Germany has an advantage.

I have the latest issue of the most important papers of Germany—Dresden, Leipzig, Berlin, and all centers, which I get daily—and they are filled with advertisements. Some of the factories have more American orders than they can possibly fill. Some factories have orders to run six months ahead. In our own particular line of business every importer in the United States and those that have never imported that class of goods before have taken a trip to Germany, and they have placed their orders for the spring of 1922 for these German products, and all the manufacturers in our line of business in Germany are overwhelmed with orders; in fact, enough to carry them through the season of 1922.

And, Mr. Chairman and gentlemen of the committee, you as Senators of the United States, whom I know have at heart the interests of this Nation, there has not been given an order to an American manufacturer in our line for similar goods for the next spring's season's business as far as I know; and, nevertheless, those same buyers that all flocked to Europe for those cheaper German goods to replace the American products were only too glad and too happy that when the German product could not be imported into the United States that

the domestic manufacturers created an organization, invested capital, built plants, in order that they should supply fairly the demand of these wholesalers in America for that class of goods. I do not think that any wholesaler in America will say that the flower manufacturers and feather manufacturers in the United States have taken the slightest advantage of the situation during the war. We have produced the most perfect goods, better than any that we have imported. True, we could not sell them as cheap as Germany can produce them with the mark at 1½ cents. But we sold them at a close profit. We made the business prosperous, and the millinery business during that period had the most prosperous, the most profitable experience that it ever realized since its existence. While to-day, with all the cheap German goods piled from the floor to the ceiling in all the importing houses and filling up the warehouses the demand is practically nominal.

My experience is that higher tariff in no sense prevents the importations; that the cheaper a foreign article can be landed in this country, the poorer business conditions prevail. It is the nature of the people of this country that a cheap article destroys the prosperity of our industry. I have never seen this country prosperous when goods and merchandise were dragged to the lowest level.

I have seen this country prosperous and grow to be so prosperous that it became the creditor of all the world when the goods were the highest that the nation ever knew. I think McKinley was right when he stated that "cheap goods make a cheap country," and while I am on that subject, Mr. Chairman and gentlemen, assuming we can land all these German goods so cheap, and have our working people out of employment, our industry stagnated, where is the public that is going to buy those cheap goods, whether an article that used to cost 50 cents can be sold for 10 cents, the working man and woman will have to have 10 cents to buy it with.

Senator McLEAN. After you have driven the American out of business the German goods would not remain at the low prices?

Mr. DE JONG. The German manufacturers in our line have a very strong combination. They are now determined to conquer our market. They can do it, because they have the tremendous advantage of cheap labor, and in this class of goods labor cost of production is 75 per cent of the value of the article. So we in our line are confronted with the greatest difficulty.

The German, when he has destroyed our organizations, naturally under such conditions will raise his prices. Germany could before to-day have raised its currency to a fairer basis. France, suffering, bleeding, practically prostrate, a nation that has suffered more, as well as Belgium, has maintained its currency on a fairer basis than Germany, because they do not print so much. Germany continues that currency. From 2,000,000,000 paper marks in circulation it has increased it to nearly 88,000,000,000 marks, and I see by the German papers to-day the more the people of Germany are employed in industry and the more paper currency it requires to pay them, the more the Germans print, and the lower that currency gets. You will readily see that by the conditions that prevail. Germany is busy now; she is prosperous, and yet the mark is at a lower level than last year this time, and at a lower level than it was when she was not busy. It is to her interest to have that situation exist now.

Mr. Chairman and gentlemen, so far as the application of the American valuation system is concerned, there has been a great deal of discussion and difference. The opposition comes from the importers; it does not come from the manufacturers of this country. The opposition comes from some of the appraisers, whom I believe are sincere and honest in their testimony.

The advocates are the American manufacturers and the real advocates, Mr. Chairman and gentlemen, are the millions and millions of working people in this country.

While I have no authority to speak for them, and while I do not assume to speak for them, when I leave this hearing and go back to my factory in New York, where my employees are on half time, in order that I may still perhaps see the light to come, I will watch these proceedings, and unless, Mr. Chairman and gentlemen, something is done to overcome this great depression of foreign currency, we as domestic manufacturers will have to discontinue a business that has been built up for 20 or 30 years. There is no question about that.

Just before leaving I spoke to three or four of the largest manufacturers in our line, and every one was unanimous that they were going to stick it out until January, and if they can not get orders and can not get reasonable prices—and we are willing to work close—they would have to discontinue.

Senator McLEAN. Do you think the revision of the tariff is as important as the revision of the revenue law?

Mr. DE JONG. I think the revision of our taxation system is not as important for the future welfare of this Nation as the tariff. What difference does it make what taxation you adopt, whether you have an income tax, excess profits tax, an excise tax, or sales tax, who are you going to tax? If it is true that the ultimate consumer pays all the taxes, where is he going to get the money to pay them with when he is out of work? The subject that first must be attended to is that American industries can thrive and exist, and that people can be employed.

Senator McLEAN. You think the patient ought to have a little more nourishment before we open new arteries?

Mr. DE JONG. I think before you can tax the American people by new methods, you better give them the opportunity to earn the money by which they can pay the taxes that are thus to be imposed. Going to the application of the American valuation, while it may present some difficulties in the beginning, any article that is not comparable or competitive with foreign goods, as far as the American article is concerned—for a moment we will leave that out of the question—so far as the imported article is comparable and competitive there is no question about the appraisers arriving at the wholesale American cost. Why should there be? So, as far as the comparable and competitive article is concerned, there is not any great difficulty. They claim that the difficulty arises where there is no comparable or competitive article. The provision, as the new bill states, gives the Treasury Department the power to make such regulations as can be easily enforced. Any importer who imports merchandise does know the price at which he is going to sell it, for that is the fundamental principle of all business. As an importer of merchandise, I know if it cost me so much, and the duty is so much, I can sell it for so much, and I can compete for so much, even if the article has never been imported into this country.

I will give you an instance: I have a cloth here known as "artificial plush." This was used in our industry to a great extent during the war. It was manufactured in this country by only two concerns. Germany never made it. Since the armistice the German manufacturer was over here. He took a sample of this domestic artificial plush to Germany; in fact, he took it to Crefeld, in Westphalia. He came to me, as I am a large user of that article, and as I have always used the domestic article, and offered me a price \$1 below the then prevailing price of the American market.

Senator McLEAN. What unit?

Mr. DE JONG. A yard. I informed Sydney Blumenthal, who is one of the largest manufacturers of pile fabrics in this country, and Mr. Winpfheimer, of Winpfheimer & Bro. I told them, "I am going to order some of this cloth, and I am going to show it to you when it comes in." The price was fixed at \$4. When the domestic manufacturers found out that the German maker was going to sell at that price, they reduced it, and the result is to-day that the market price in this country of that cloth is \$3.50 a yard.

Senator McLEAN. Right there, I want to offer a suggestion. It has been claimed here that if we adopt the American valuation plan it will permit of pyramiding the prices in this country.

Mr. DE JONG. No. I will give you an instance right here, Senator.

Senator McLEAN. Yes. If we publish the American valuation on the wholesale price, will not the tendency be to decrease the retail price rather than increase it?

Mr. DE JONG. I will demonstrate that to you, using this cloth as an example. The American value of that cloth is \$3.50; the German price is 150 marks a yard. In the Underwood bill artificial silk fabrics are under an ad valorem duty of 60 per cent. At 150 marks a yard, at the present rate of exchange, 1.30, the German cost is about \$2; duty at 60 per cent would be 1.20, making a total landing cost 3.20 under the present Underwood bill.

In the new bill, as passed by the House, and at American valuation, let us see what the result is: Under the new bill the duty is compound, 45 cents a pound and 37½ per cent ad valorem. I took the trouble to weigh this merchandise, and I weighed it in comparison with the domestic article as printed on the goods, and I find it weighs a little less than 8 ounces, and this comes under the provision which is 45 cents a pound, which makes 22 cents a yard. Add to that 37½ per cent of the American valuation of \$3.50, and it would make it 37½ per cent of \$3.50, or \$1.52, and add 22 cents, making the total cost under the American valuation \$3.52.

You see that if the American manufacturer should raise the price on that to \$5 what would be the result. The duty would be so much increased naturally, but the German article would still be only 150 marks, and he could undersell the domestic manufacturer, and he would not have a chance; we would not think of buying it of him; we would import it.

Senator McLEAN. I can see that. But we know that the spread between the wholesale price of goods and the retail price is indefensible in many cases. Will not the effect of adopting the American plan be to publish to the world wholesale prices and make it unconscionable for a great many dealers to charge the retail prices they now charge?

MR. DE JONG. If we ascertain through Government energy and supervision the wholesale market price of every commodity and article in this country, and once that is firmly established, gentlemen, you could write a tariff bill in four weeks without any difficulty whatsoever, giving careful consideration to the amount of revenue that the Government needs, giving protection reasonable in every respect to the domestic manufacturer, and having due regard to fixing the duty at such a rate that the importer can import it to the greatest extent that will do the least possible harm to domestic production. That is the natural result.

And what would be the further result? With men like Hoover and others, we could, through governmental instrumentality, ascertain the reasonable wholesale market prices of our commodities and articles in this country—the whole world will have to follow our example and our own manufactured products could be shipped throughout the world on this principle and could meet in competition with products of any nation.

What have we now? We have an impossible situation. I have an article here that is manufactured in Germany that is also manufactured in France. It is identical, it is comparable, it is competitive. It cost double as much to make it in France by reason of labor conditions; it cost half so much to make it in Germany. We buy it in Germany, but can you tell me on what fundamental principle of justice and fairness we should charge France double the amount of duty for the privilege of selling their goods in our market compared with the German? Is it not contrary to all the dictates and intelligence of American justice and fairness to those who want to do business with our market?

Senator GERRY. But you just stated that that imitation plush was sold for the same price by the Germans and by ourselves; did I understand you correctly?

MR. DE JONG. No. The price in Germany is 150 marks, about \$2 under the present rate of exchange. I want to say—

Senator GERRY (interposing). Did you not state that it sold here for \$3.50?

MR. DE JONG. \$3.50 a yard.

Senator GERRY. And that the American goods were also now selling for \$3.50 a yard?

MR. DE JONG. American goods also offered at \$3.50, the wholesale market price.

Senator GERRY. You are selling at the same price?

MR. DE JONG. No; \$2 is the German price.

Senator GERRY. That was the point I was not clear on.

MR. DE JONG. I am getting a shipment of these goods made by a manufacturer in Germany, the only people in Germany making this article to-day. It was never made in Germany before. He fixed the German price at 150 marks. He gave me practically to understand that if I wanted to control this article that he would arrange a price with me.

I want to ask you gentlemen what is the foreign wholesale market value of this cloth—the price that the German individual manufacturer arbitrarily fixes? Well, suppose it is not sold in the German market at all, and the American appraiser when it comes to the customhouse wants to ascertain what the wholesale price in Germany is,

when the article is not sold, is not it between myself and the German manufacturer to fix the price arbitrarily? And in spite of all your custom laws, and all the power that you have at your command, and this perhaps undervalued 100 per cent, you have not the evidence at your command to prove undervaluation. How is the appraiser here going to ascertain what the wholesale market price of this cloth is in Germany? Suppose another manufacturer makes it and offers it at 200 marks and two or three others make it and charge 200 marks, and I go to this man and take the entire output at 100 marks, which is the wholesale market price in Germany? And yet when my article comes in at 100 marks, the appraiser lets it go through. To-day everything passes the customhouse unless the appraiser has information to base real foreign value on.

There is not any question about that, gentlemen. Whether the article is undervalued or not, it passes the customhouse. I do not say it is deliberate, fraudulent undervaluation. I do not believe it. I believe the American importers, as well as the American manufacturers, have a sense of honor. But if I get this at 100 marks from a legitimate manufacturer, although the wholesale market value in Germany is 200 marks, the law does not presumably enable the appraiser to ascertain the wholesale market value in Germany. I simply pay the manufacturer and make out a sworn invoice that 100 marks is the German wholesale market price, because I believe it to be so, and what is the customs official going to do about it?

We manufacturers in New York, and our employees, including many girls, marched in the Harding parade, and I marched at the head of them, and we shouted for future American prosperity and protection; were reviewed by the Vice President. Of those employees, many bought Liberty bonds, and among the manufacturing employees a great many pay income taxes. The entire thing is up to you, gentlemen, as far as our industry is concerned.

Senator McLEAN. The income tax will not worry you.

Mr. DE JONG. We will not need to pay any. We do not have to pay any. We are losing money. You can not collect it from a business man who is losing money; you have got to collect it from a man who is earning money. I have an article printed in a German paper, the Berlin Tageblatt, about this very question concerning the tariff, and it states that the Republicans are fighting among themselves over the bill, and that the chances are it looks like there will not be any tariff bill for a year to come. That is the situation.

Senator WATSON. I do not think you need to discuss that question. The matter before us is only one of American valuation.

Mr. DE JONG. I will confine myself more directly to the application of it, as I have been a strong advocate in New York of this.

I know of no other method by which the depreciated currency can be overcome. The provision I suggested, that the duty should be paid on one-third of the current value of foreign currency, was thrown out, although Canada, not as strong a protective country as ours, adopted afterwards a law that duty must be paid on German goods at the rate of 50 per cent of the actual market value of the foreign currency. In other words, German goods can not be imported into Canada unless they pay a duty of 12 cents the mark.

Senator McLEAN. The importer pays 50 cents to the Germans and pays the other 50 per cent into the British treasury, and they send

him a receipt for the rest of it, and if the German gets anything, the other 50 per cent of it, he gets it out of the German Government?

Mr. DE JONG. Yes; he is supposed to get it out of the German Government.

The application of the American valuation is a new policy, and to a certain extent revolutionary. It is not as revolutionary as the conditions that confront us, in view of the world situation. Nothing ever existed as revolutionary as the conditions with which the world is confronted to-day. This application of American valuation is in no sense as revolutionary as that. If it is an antidote for a serious condition, so much the better.

Can it be sensible, and can it be properly applied?

As I stated before, to my experience and thinking—and I have been active in four different tariff revisions—to ascertain the wholesale American value of an article, if it is made in America, takes the customhouse appraiser 10 minutes to find out what the wholesale market value in this country is, as he is supposed to be a specialist, and he knows he only has to ask Sidney Blumenthal or other manufacturers, "What is it?" and that is the price at which it will enter.

Senator WATSON. At these other tariff revisions in which you participated, you did not advocate the American valuation?

Mr. DE JONG. No; conditions then did not seem to warrant it.

Senator WATSON. You do it now because of the rate of exchange?

Mr. DE JONG. I do it now because I know of no other method that can be applied to remedy the situation.

Senator McLEAN. How are you going to fix a tariff that will protect us against Germany that will not operate as an embargo against the countries where the currency is at par?

Mr. DE JONG. Senator, we are confronted with conditions that you can not fix. You can not fix an ad valorem duty on a great many of these manufactured goods that will work in the same method and in the same percentage two years from now as it will now. In other words, the conditions that confront you prevent you from fixing an ad valorem duty that will cover until you can rewrite the tariff.

Senator McLEAN. Did you hear the proposition advanced by Mr. Davis?

Mr. DE JONG. I did.

Senator McLEAN. What did you think of that?

Mr. DE JONG. You mean the proposition in regard to the American valuation in an easy way?

Senator McLEAN. Graduated.

Mr. DE JONG. I think it is sound. I would suggest that the Treasury Department issue an entry slip, which should accompany the foreign sworn invoice as to the actual price paid, regardless of what the wholesale price is over there, and that entry slip should state by the importer the price which he pays, the amount of duty, the cost of landing, the cost of containers and the price at which he is going to sell it, and on that he pays duty.

I defy any importer here who imports an article from any part of the world who does not know what that article is going to cost to land and does not know what he is going to sell it for under this new method as well as the present system. In fact, under the American-valuation system he is surer and more certain what that cost is, as currency changes will be greatly obliterated.

I have imported a certain article from Germany, and I gave the manufacturer an order for a large quantity when the mark was 1.50. I received a shipment when the mark was 1.80, and I paid that. I received a shipment of the same identical goods and the mark was 1.20. How does any importer know what the German goods cost him to land? There is no such thing; it is a gamble and speculation, because there is no stability in foreign currency.

Under the American system he will anyhow be relieved of that gamble, because he knows just exactly what his duty is going to be when he buys the goods on the other side, and if he does not know what the price is going to be in the wholesale market, then why should he import the article?

From that point of view the method can be immediately applied. The new law provides that if the entry that is made is unsatisfactory to the appraiser that he notifies the importer and the importer has 10 days' time to get together with the appraiser. If he still finds fault, it goes to the Board of General Appraisers, and they can take testimony from American manufacturers and from other importers, and they can arrive in 20 days at the actual market value of any article, and that is binding according to the new law, because that is a matter of fact. It is not a matter of law and appeal; that is not necessary, because it establishes it under the law and by regulation.

Senator McCUMBER. I simply want to state that you have spoken for nearly an hour this afternoon and our time is limited. We have a certain number of witnesses which we must get through with, and I would ask you to be just as brief as you can.

Mr. DE JONG. Mr. Chairman, as I view the situation just now, the position is this: The House has passed the bill. Mr. Fordney, Mr. Longworth, and Mr. Tilson, and others, in their earnest desire, and with no other intention than to protect home industries, the principle of the Republican Party, have included in the bill the American valuation. All the rates are based upon it. This hearing is held, I presume, for the purpose that your committee can report to the Senate the adaptability of that, because if you decide against the American valuation you will have to rewrite the entire bill. That is the nature of the situation.

Senator McCUMBER. We all understand that.

Mr. DE JONG. Now, if the bill is thus changed by the Senate and the American valuation is thrown out and the rates are rewritten, it would take months and months of labor. It took the Ways and Means Committee six months. It is voluminous; it is a great piece of work.

It then goes to conference in the House, having been adopted by a majority larger than any tariff bill ever received on a policy or method for the application of levying duty upon a certain system, they either would have to surrender or have to insist that that is the only and true policy that they know, and we have a situation that there will not be any tariff legislation for a long time to come.

I hope your committee will see its way clear to adopt it.

I think we can try it. I predict, gentlemen, that the dangers, as far as they confront us, are very slight, and it is my firm opinion, as a man of experience, that once this system is thoroughly established that the strongest advocates will be the importers, because they

will then control the importing of those goods instead of everybody importing them.

In conclusion, gentlemen, I hope that this bill will pass the Senate with the American valuation. I will stake my reputation on it that the method can be applied if the Government sees fit to apply it.

I just want to give you one instance. I complained to the Treasury Department about those flowers having been imported under the dumping act. A representative from the Treasury Department visited me. I showed him the article we manufactured in comparison with it. I showed him my calculation, and how I arrived at the wholesale price of my article, and this representative of the Treasury Department told me that for the first time he commenced to realize how the Treasury Department can take action. As far as I remember, and as long as I have been in business, I have never, as a domestic manufacturer, been in contact with the customhouse department, nor have any appraisers in the customhouse, been in contact with the American manufacturers. Mr. Davis has stated here that as an American he is in favor of giving Americans protection. He is certainly not opposed to the American manufacturers. These appraisers have never been in contact with us. In one hour they can learn more in our factories and from our books and our calculations about real values than they have learned in a hundred years from foreign valuation.

One man in Germany is supposed to ascertain foreign valuations; six men in the entire world. It is an utter impossibility. I thank you.

Senator McCUMBER. We are much obliged to you.

STATEMENT OF PATRICK H. QUINN, PROVIDENCE, R. I., REPRESENTING AMERICAN LACE MANUFACTURERS' ASSOCIATION.

Mr. QUINN. Mr. Chairman, I am an attorney, but I am not appearing here in my professional capacity. I am president of the American Lace Manufacturers' Association. I come from Providence, R. I.

Earlier in the day Mr. Rafter appeared and was temporarily excused by the chairman on the theory that he appeared as professional counsel for the Lace and Embroidery Association. I would just like to call your attention to the fact that the Lace and Embroidery Association does not include the lace manufacturers. They import lace. There is that difference between the organization represented by Mr. Rafter and the one represented by myself.

The lace manufacturers of the United States are engaged in an industry that largely came into existence under the Payne-Aldrich tariff law. For one year it took off entirely the duties on lace machines, and a number of us who earn money by practicing law and doing other things were innocent enough to invest in lace machinery, and we have been trying to pay for it ever since.

The industry is distributed in seven states—Rhode Island, Connecticut, New Jersey, New York, Pennsylvania, Ohio, and Illinois. Those are the seven States of this country where these lace machines are located. A very large representation is in Senator Gerry's State, probably 40 per cent of the levers go through machines in this country to-day are in Rhode Island.

A great deal has been said here in the way of suggestions, principally by Senator Smoot and Senator McLean, as to whether any man appearing before this committee had anything else to suggest as a substitute for the American valuation plan that would fit present conditions. I have awaited an answer to that question. The question was asked, too, before the Ways and Means Committee, and the only approach to an answer to that question has been made by Mr. Davis, of New York, who has, as I understand it, suggested the American valuation plan, but who says, "Give it to us in small doses; cut off the tail of the dog in inch pieces so that it will not hurt so much." His plan is nothing else than the plan that has been proposed and is entitled "the American valuation plan."

In the very few minutes that I shall take to address you, Mr. Chairman, I want to say that entirely aside from my affirmative answer to Senator Smoot's and Senator McLean's questions, I know of no other plan whereby you can construct a tariff to-day that will give us the same protection against Germany that it would give us against England or France. Entirely aside from that, I want to go on record as absolutely supporting the American plan for assessing an American tariff scientifically, legally, practically, and from an American standpoint. To my mind it is the proper method.

I have listened with an open mind in the House and here for objections to this plan, and I beg you to understand, Mr. Chairman, that I am discussing it entirely aside from the standpoint of schedules. It seems to me that the hearing has drifted sometimes to a discussion of schedules.

I am not prepared or qualified to discuss schedules with you. I would support the American plan regardless of whether you are framing a so-called protective tariff or a tariff for revenue only.

Mr. Davis is undoubtedly a very able representative of one branch of our Treasury Department, and he showed by his answers to Senator Reed this morning that he is not biased in the matter when he disposed of Senator Reed's suggestion that has been made so many times that American manufacturers could pyramid prices. Notwithstanding that, to my mind it was almost humiliating to have an able representative of our Customs Service express so very little confidence in the ability of Americans to do in this country what the average salesman can do in any line without effort.

Fortunately for me, because I can not discuss many branches of the tariff, he selected, in his opening remarks, the lace industry. He made a statement to you that was, or might have been, intended to overwhelm you with the notion of the amount of work these men have to do there and with the tremendously increased amount of work they would have to do under this plan. He said, referring to the lace industry, "In the customhouse we sometimes have to have in mind 500,000 different numbers." Now, that was a staggering statement on the face of it. It would lead you to suppose, if you knew nothing about the lace industry, that it represented an inhuman task. What is the fact? Those numbers do not mean much. The lace manufacturer gives a different number to every pattern he makes on his machines, and there are thousands of numbers given to the same width of lace made of the same yarns, the same texture, the same weight, woven on the same machine and sold at the same price.

Senator SMOOT. It is simply a change in pattern?

Mr. QUINN. Surely.

Senator SMOOT. The same as we do with woolen goods.

Mr. QUINN. One piece of lace $1\frac{1}{2}$ inches wide might have fisheyes, another might have a diamond design, and still another a shamrock, or something of that sort as a figure in the lace.

Senator WATSON. Nevertheless that would necessitate a comparison, would it not?

Mr. QUINN. Not a comparison as to value.

Senator WATSON. No; but in order to find out whether they were comparable.

Mr. QUINN. Yes. But when you found that it was 32-carriage lace, and we speak of it in that way—

Senator WATSON. But they would have to find it out first?

Mr. QUINN. Yes.

Senator WATSON. I understood him to say that that was a great deal of work, but not that it could not be done. He said there was a great deal to do in making these tariffs. While I am in favor of the plan, I can conceive that there would be a great volume of work.

Mr. QUINN. If he meant to suggest for a moment that the 500,000 numbers meant 500,000 comparisons, or if the Senator from Indiana believes that to be the case, I will say that it is not so.

Senator SMOOT. Mr. Davis did not mean that, I am sure. He said, as you have since stated, that there may be in one figure 500 different patterns costing exactly the same to make. The only question is as to the construction and pattern.

Senator WATSON. Let me ask Mr. Davis right here just what he did mean.

Mr. DAVIS. I meant just exactly what I said.

Senator WATSON. You meant what you said, but what did you say, and what did you mean when you said it?

Mr. DAVIS. Of course, the figures I gave of 500,000 cover a wide range of numbers coming from various sources. They have different numbers. It is true that laces of the same width may be valued at the same price. However, there are different patterns. One manufacturer charges a certain price for his particular pattern as distinguished from the price charged for the same width by some other manufacturer. To prove what I have said is correct, if this gentleman will go to the New York appraisers' office and go to Mr. Yardley, he will find that he is using 14 different books for the purpose of recording this great range of numbers.

Mr. QUINN. Fourteen books?

Mr. DAVIS. Yes.

Senator SMOOT. Let us take one manufacturer. Take the lace manufacturer represented by the witness here.

Mr. DAVIS. Yes.

Senator SMOOT. He has a lace that is $1\frac{1}{2}$ inches wide. Perhaps he is making 40 patterns of that lace.

Mr. DAVIS. Yes.

Senator SMOOT. Those 40 patterns cost the same.

Mr. DAVIS. By one manufacturer.

Senator SMOOT. That is what I say. They would not try to compare the same kinds of patterns with the laces that he has and have 40 different values?

Mr. DAVIS. But this examiner has not only got to take the prices of one factory but the prices of all the factories and find out which is the proper market value for the different laces of the different widths, and consequently he has to consider all those prices. I am not an expert on laces.

Senator SMOOT. I suppose the lace people mark their lace just as we would mark woolen goods—the same stock, the same weave, the same weight, the same finish, and the same price. We have a lot number for that class, but every style in it has a different number.

Mr. DAVIS. Yes.

Senator SMOOT. But the value is exactly the same; the cost is the same; the selling price is the same. You do not go into the question of each one of these styles.

Mr. DAVIS. I merely based my statement on the fact that the examiner is recording thousands and thousands of these numbers on 14 large books; that is, he is recording the prices, and he is using five clerks to do it. His range is running into 500,000. Just what the details are I do not know.

Senator McLEAN. That is under the present system?

Mr. DAVIS. That is under the present system.

Senator McLEAN. We are trying to find out the foreign value.

Mr. QUINN. I was just about to make the observation that Senator McLean made. That is the burden under the present system. Let me say to you in answer to that that there are three or four men in the room interested in this matter, and these men could provide you with two or three salesmen who in a week's time would be able to furnish you the accurate selling price of every kind of lace that has passed through the customhouse in the past six months. It is perfectly absurd to tell those of us who try to sell goods that it is impossible to find the American selling value of lace.

Senator McLEAN. How long would it take you to furnish that information? It would not take more than 24 hours?

Mr. QUINN. I say that a couple of lace salesmen in New York, which is the principal market for lace in this country, inside of a week's time could furnish you the market value of every kind of lace sold in New York.

Although I do not appear as a lawyer, I can not entirely disassociate my lawyer ideas of things from the argument of this question, and from the standpoint of a lawyer it seems to me pitiful that an American tariff law should depend for its honest enforcement and complete enforcement upon evidence to be collected in scores of foreign countries where we have absolutely no power to compel the production of that information and where when we get that information we get it notwithstanding the somewhat natural antipathy of the foreign manufacturer, the foreign trade organization, the foreign boards of trade, as will be shown by a letter introduced by Mr. Burgess and in opposition to the foreign governments themselves.

Now, let us collect this information at home, where we have control. You talk about sending, in answer to the question of the honored chairman of the committee, a number of men to do this work. It has been suggested that we send over a number of men. Senator La Follette said a dozen, Mr. Davis mentioned 15, while the chairman was going to allow 50 to go to Europe to collect this evidence. How

are you going to collect it against this opposition? How are you going to enforce it? It has been suggested that we demand their books, and when they refuse we exclude them from our ports. That would be an embargo; to say the least, it would be an offense to a friendly nation. I think we should not take such extreme measures as that.

Senator SMOOT. There would be retaliation.

Mr. QUINN. It would be at least that. I say let us have this basic foundation for our tariff structure, whatever it is to be, and then let us construct our schedules accordingly.

I have listened very carefully for the objections to this bill. Senator McCumber the other day suggested something that was certainly an honest and well-founded objection to the bill if it existed, and it was followed up to-day by Senator Reed.

You will remember that Mr. Marvin gave substantially the same answer in reply to a question by Senator McCumber. Mr. Davis went into detail this morning and showed the impossibility of American pyramiding of prices and continuation of competition with foreign articles. I think it was Senator La Follette who suggested possible difficulty when you could find no competitive or comparable article. The bill has a provision in regard to that. Take the selling price of the imported article.

I make another suggestion that I have not heard before: If it takes too long to get at this, take the sworn statement of the importer as to what he intends to sell the article for. We now take his statement on the invoice. That is all we have.

Senator SMOOT. To-day the importer is compelled to make an affidavit as to the value of his goods?

Mr. QUINN. Yes, that is true.

Senator SMOOT. What reason is there why there should not be, also, an affidavit made as to the American valuation of the goods?

Mr. QUINN. There is no reason. That would not impose any additional burden upon him, and I see no reason why the invoice should not contain, annexed to it, a sample of the goods. Why shouldn't the importer annex to and make a part of his sworn inventory samples of what is contained therein. He has samples.

Senator SMOOT. They know what those goods will be sold for in America. Make that a statement that is sworn to, and that will settle it.

Mr. QUINN. You bet they know. No one buys in Europe to-day without having determined first what he is going to sell for in this country.

I think it was Senator Watson who suggested to Mr. Culberson early in the hearing yesterday that there had been an approach to this plan tried in the early days of our national existence, and Mr. Culberson thought that the plan in vogue was not at all comparable to that proposed in the present House bill, and so he and others have called this American plan revolutionary.

I think the language of the tariff bill under Washington was very similar to that of the present bill. Let me quote this briefly. It provided that—

Ad valorem duties shall be assessed upon imported merchandise in accordance with the value thereof at the time and place of importation.

What difference is there?

This plan has been advocated before. It is not something that falls upon us out of a clear sky. If I am correctly informed by my reading—I do not mean reading Congressional Records, but reading current literature and newspapers—it is a fact that Henry Clay advocated this system in the early thirties. I think it was in 1833. President Fillmore advocated it in 1852, and an Assistant Secretary of the Treasury under President Arthur, as late as 1882, advised it. So do I advise it. I believe that the question you have asked so often, Senator Smoot, and that has also been asked by Senator McLean, is capable of but one answer under the present depreciated condition of currency; but I do not rest my support of the American valuation plan upon that ground. I would be for it if conditions were normal. I agree with Mr. de Jong that before it has been in vogue 100 months it will be better enforced than the present system, which has been in vogue for 100 years.

Senator McCUMBER. We thank you very much, Mr. Quinn.

STATEMENT OF H. A. PHILLIPS, REPRESENTING THE AMERICAN FABRICS CO., LACE MANUFACTURERS, BRIDGEPORT, CONN.

Senator McCUMBER. Whom do you represent, Mr. Phillips?

Mr. PHILLIPS. The American Fabrics Co., lace manufacturers, Bridgeport, Conn.

Senator McCUMBER. Do you also represent the American Lace Association?

Mr. PHILLIPS. Yes; and the American Fabrics Co., lace manufacturers of Bridgeport, Conn.

Senator McCUMBER. We will be very glad to hear from you, Mr. Phillips. We hope that you will be able to give your testimony without duplicating the testimony that has already been given.

Mr. PHILLIPS. I shall be very glad to try to do that.

We are for the American market value because we believe it to be easier of administration and more accurate of administration, and that it will give the American producer more reliable protection on account of its stable basis. It will equalize the duties from all countries.

It will not raise nor lower the duties, in our opinion. It will simply change the basis for ad valorem duties.

Duties to be collected depend entirely upon the rates.

The formula which I have heard advocated by Mr. Burgess I believe to be correct. I believe Mr. Davis's interpretation is entirely wrong. Mr. Davis stated that laces in the Payne-Aldrich law assessed at 60 per cent ad valorem are now assessed 123 per cent higher under the 37.5 per cent ad valorem on the American valuation. By what process of reasoning he arrives at those figures, I do not know, but I do know this, if I offer an article made in our plant for \$1 and I offer this article at \$1 to the jobber, he will tell me, as one did tell me actually only two days ago, that he has cut out all the domestic lace manufacturers. By that he means that he does not need, nor will he buy, from them any longer. And, I may say, he is perfectly reasonable. I asked him why? He said that with 37.5 per cent duty, American valuation, on \$1 he can buy these goods more cheaply in the foreign markets.

Thirty-seven and one-half per cent American valuation equals 60 per cent foreign market value, and if you keep your prices higher than that you can not sell your goods in this country any longer; and that is true.

The difference in the laces as between our selling prices and the foreign manufacturers' prices is a great deal more than 37.5 per cent. The rate is too low. But we will take that up later when we have the opportunity.

I have in mind just now an article which we try to sell for \$1 and which costs in Europe 28 cents; 37.5 per cent duty would be 37.5 cents. Add 28 and 37.5 and you will find that the total cost to the importer is 65.5 cents. No one would buy our goods at \$1. Therefore, the article is out of the market.

Senator McCUMBER. Does that 65.5 cents include the freight, and so forth?

Mr. PHILLIPS. The freight and insurance on laces, as well as the other costs, amount practically to nothing, because they are very easy to transport. You could transport them 10 times around the earth and the freight charges would amount to practically nothing. The highest for that that the importer generally figures is 5 per cent. If we add 5 per cent it would make it about 3 cents more.

We can not sell this article any longer against competition. Therefore, we must lower our selling price. In order to compete we must lower it to 45 cents, and that is away below our cost of production. Forty-five cents would be our selling price in order that we might compete with the foreign manufacturer. You take 37.5 per cent of 45 cents, which gives you 17 cents. You then add 28 cents, which gives you 45.

Therefore, Mr. Davis's interpretation of it would be wrong.

If we made the selling price 60 cents we would still be out of the market. In other words, we could not sell.

The present law does not provide that you have to take the American manufacturer's supply. It must be the market price. The article must be on the market. Should we make it 60 cents, then we have this picture— $37\frac{1}{2}$ per cent of 60 cents is 22.5 cents. Add to that the foreign manufacturer's price of 28 cents, and you have 50.5 cents. Therefore, the foreigner undersells us.

I do not blame my good customer for telling me, "I have cut all domestic lace manufacturers," because even if the American plan goes into effect with 37.5 per cent instead of 60 per cent, we can not compete.

As to the administrative difficulties, I can not see any reason why the American valuation plan should not be easier of administration than the other. Everything new requires a new method. The American valuation plan in three months after its enactment will prove easy of administration. The appraisers need a few new methods and regulations.

Textiles are practically all sold by numbers. Attach a sample card to the invoice and you have the article. The appraiser need not open every case. That can be done with a great many other articles. There are plenty of experts available at the present time, especially in the textile industry, to help the appraisers in case they need help. Speaking for the lace association, I wish to say that we shall be pleased to furnish anything they want for the American manufac-

turers. We can not furnish the foreign market price; neither can the appraiser; neither can any Government official go to Europe and find out the foreign market value. It has not been done in 100 years and is not going to be done in the next 100 years.

Senator WATSON. Is your factory running now?

Mr. PHILLIPS. We are running on part time. A large part of the goods are down and we are selling goods at less than cost in order to keep some of our help busy.

Senator WATSON. How long have you been doing that?

Mr. PHILLIPS. We have started up again. We were practically shut down from October to March.

Senator WATSON. Have importations of lace from Germany increased?

Mr. PHILLIPS. Yes.

Senator WATSON. And from all parts of Europe?

Mr. PHILLIPS. They have increased to such an extent that our former customers do not buy from us at all. A very few in the manufacturing business buy goods from us at the present time on account of the known reliability of our association supplying them.

Senator WATSON. Where is your principal competition?

Mr. PHILLIPS. Germany.

Senator WATSON. Do you know what the cost of production is over there? I am speaking now of the kind of lace or laces that you manufacture in your plant at Bridgeport?

Mr. PHILLIPS. Yes, I can figure that out. I can give that to you almost exactly because I can easily find out the wages paid in Germany.

Senator WATSON. Do you know what they are now?

Mr. PHILLIPS. The lace makers are probably getting what amounts to \$3 a week.

Senator WATSON. Now, under the existing system of tariff what tariff rate would have to be imposed on the imported laces to afford you protection?

Mr. PHILLIPS. We filed a brief with the Ways and Means Committee last February. To-day we stand on that same brief exactly as it was filed then. That brief contained one item after another showing that under the 60 per cent ad valorem rate on the American valuation plan—

Senator WATSON. I mean under the present law. I do not mean the American valuation.

Mr. PHILLIPS. Under the present law we would require approximately 150 per cent. Then we figure only to make such goods as we have been in the habit of manufacturing in the past. There have been a great many laces that we can not manufacture.

Senator WATSON. I do not see how you would make it on 150 per cent protective tariff if the average wage there is \$3 a week and here you are paying \$20.

Mr. PHILLIPS. In the manufacture of laces wages are not the sole factor. Our goods are made of cotton. It is American cotton bought here. Therefore, on the material we are practically at par. So far as the selling expense is concerned, we would also be practically at par, so that it is a matter of labor alone.

Senator SMOOT. You do not spin your own cotton?

Mr. PHILLIPS. No, sir; we do not. We buy our own yarns.

Senator McCUMBER. We thank you.

**STATEMENT OF JOHN R. RAFTER, REPRESENTING THE LACE
AND EMBROIDERY ASSOCIATION OF AMERICA.**

The CHAIRMAN. Mr. Rafter, whom do you represent?

Mr. RAFTER. I represent the Lace Embroidery Association of America, consisting of 40 business houses, all of which, with one exception, are located in New York City, the exception being located in Philadelphia. All are engaged in the business of importing and dealing in laces, embroideries, trimmings, and novelties of various kinds, largely intended for women's wear.

Senator WATSON. I was not listening attentively. Did I understand you to say you represent the importers or manufacturers of lace?

Mr. RAFTER. I said that they are engaged in importing and dealing in laces, and so on. I might also add to that these houses not only deal in imported laces and embroideries but also domestic laces and embroideries, and that some few of them also manufacture embroideries in this country. In support of that last statement that there are some manufacturing interests among the houses that I represent, I would like to file with the committee several questionnaires showing their plants and investments and the output and the number of hands employed in each.

(The questionnaires referred to are as follows:)

NEW YORK, May 20, 1921.

Mr. CARL W. STERN, 24 State Street, City.

DEAR Mr. STERN: Inclosed please find the questionnaire relating to embroidery plants controlled by the firms of our association in this country, six in all.

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary*.

NEW YORK, May 12, 1921.

EINSTEIN WOLFF Co., 1115 Broadway.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?

Answer. Kursheed Manufacturing Co.

Question 2. Where located?

Answer. One hundred and thirty-seventh Street, Willow Avenue, Bronx.

Question 3. What space do they occupy?

Answer. One-half block.

Question 4. How many hands employed?

Answer. Two hundred to two hundred and fifty.

Question 5. What is the yearly output?

Answer. One and one-half millions.

Question 6. What is the estimated investment in the plants?

Answer. Over three-fourths of a million.

The information will be of value to Messrs. Stern and Rafter in contraverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.

Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary*.

NEW YORK, May 12, 1921.

MUSER BROS.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?

Answer. One embroidery plant.

Question 2. Where located?

Answer. 220 East Twenty-second Street, Bronx, N. Y.

Question 3. What space they occupy?

Answer. Eighty by one hundred and twenty feet.

Question 4. How many hands employed?

Answer. Seventy.

Question 5. What is the yearly output?

Answer. \$125,000.

Question 6. What is the estimated investment in the plants?

Answer. \$40,000.

The information will be of value to Messrs. Stern and Rafter in controverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.

Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary*.

NEW YORK, May 12, 1921.

BLANCK & Co.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?

Answer. Alpha Embroidery Co.

Question 2. Where located?

Answer. West New York, N. Y.

Question 3. What space they occupy?

Answer. One hundred and fifty thousand square feet.

Question 4. How many hands employed?

Answer. About 100.

Question 5. What is the yearly output?

Answer. \$250,000.

Question 6. What is the estimated investment in the plant?

Answer. \$150,000.

The information will be of value to Messrs. Stern and Rafter in controverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.

Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary*.

NEW YORK, May 12, 1921.

LOEB & SCHOENFELD Co.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?

Answer. Glenham Embroidery Co.; Camden Curtain & Embroidery Co.

Question 2. Where located?

Answer. Beacon, N. Y.; Camden, N. J.

Question 3. What space they occupy?

Answer. Four large manufacturing buildings at Beacon, N. Y.; one entire square block at Camden, N. J.

Question 4. How many hands employed?

Answer. Approximately, 600 at Beacon, N. Y.; approximately, 1,000 at Camden, N. J.

Question 5. What is the yearly output?

Answer. Approximately, \$1,500,000 at Beacon, N. Y.; approximately, \$3,000,000 at Camden, N. J.

Question 6. What is the estimated investment in the plants?

Answer. \$1,250,000 at Beacon, N. Y., approximately, \$750,000 at Camden, N. J.

The information will be of value to Messrs. Stern and Rafter in contraverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.

Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary*.

NEW YORK, May 12, 1921.

KLAUBER BROS. & Co.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?

Answer. Klauber Embroidery Works.

Question 2. Where located?

Answer. Alfred, Me.

Question 4. How many hands employed?

Answer. Average 60.

Question 5. What is the yearly output?

Answer. \$200,000.

Question 6. What is the estimated investment in the plant?

Answer. \$38,500.

The information will be of value to Messrs. Stern and Rafter in controverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.

Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary*.

One of these houses, by the way, manufacturing in this country, is the largest domestic embroidery manufacturing plant in the country. That is known as the Glenham Embroidery Co. and is located in New York.

The CHAIRMAN. Did you present your views to the Committee on Ways and Means?

Mr. RAFTER. I did, sir, within the limited time at my disposal, and as well as I could under the circumstances.

The CHAIRMAN. Is there anything to be added to what you had to say before that committee?

Mr. RAFTER. My views, Mr. Chairman, were not as complete as I should like to have had them. I would like to state my case again.

The CHAIRMAN. We would like to get through with the men who are waiting here this afternoon. We have several more here and some in the distance.

Mr. RAFTER. I might also say for the information of the committee that for some seven years and up to a recent time I was engaged as

Government counsel in customs matters and during that time was largely engaged in the preparation and trial of valuation cases of all kinds.

The CHAIRMAN. State something that is not in the House hearings.

Mr. RAFTER. The duties on the merchandise which I am speaking of are generally 60 per cent. That applies practically to all lines. The total duties paid by these lines during the year 1920 amounted to approximately \$25,000,000. It is the judgment of these houses that if the American valuation plan as embodied in the Fordney bill becomes law, they will be compelled to stop marketing their goods. The reason for that conclusion on their part will be best understood by keeping in mind the character of the goods which they import.

The CHAIRMAN. Were these goods produced before the House committee?

Mr. RAFTER. No, sir. The samples were not produced before the House committee.

Senator SMOOT. Where are the goods imported from?

Mr. RAFTER. France, England, Switzerland, and Germany.

Senator SMOOT. And Belgium? Don't you get lace from Belgium?

Mr. RAFTER. Probably some, but not as much as from other countries. In the first place, all of these goods, without exception, are properly described as articles of fashion, goods which are highly seasonable, goods which are novelties, special in character, having their own peculiar styles, patterns, and designs almost invariable and intricate.

The CHAIRMAN. The committee is somewhat familiar with the definition of fashionable fabrics.

Mr. RAFTER. Yes. I thought it might be helpful to the committee if it had some concrete illustrations of what the merchandise looks like.

The CHAIRMAN. Most of the committee members have known for 20 or 30 years of these particular fabrics.

Mr. RAFTER. The next point to be considered is the selling method which these houses by the very nature of their imports are compelled to adopt in disposing of their goods in this country. The goods which they import are either sold here before the orders are placed with the foreign manufacturer on the other side, or else they are placed here against orders already placed on the other side. In both cases there are samples produced by their salesmen in this country. The goods are all, with very few exceptions, made to order by the foreign manufacturers. They are not carried in stock there. They take from three to six months to manufacture.

In order to market these goods as business men and merchants in this country, both as applied to goods sold in advance of orders and to goods sold against orders already placed on the other side, it is naturally necessary for these merchants to know their costs. That means not only foreign costs plus the landing charges, but also the duty, which on these particular goods, being 60 per cent at the present time, is a very big item of cost.

Senator SMOOT. That is also true under the present system. You have got to do the same thing. The American valuation plan will not make any difference.

Mr. RAFTER. It would make this difference, if I may suggest it, Senator: At the present time the importers know with reasonable

certainly what their duties are going to be before they order their goods from the other side. Under the new plan of appraisement that will not be the case.

Senator SMOOT. I think it will be a great deal easier with the American valuation plan for an American buyer to get the American value here of the goods than it is for him to know the foreign value. I think he can know exactly what his goods are going to cost.

Mr. RAFTER. Suppose, Senator, we analyze the situation to see if that is true. Under the definition of value which is to be taken as the basis of duty under the Fordney bill the first test will be the selling prices of comparative and competitive domestic products in the principal markets of the United States. These prices the importers do not know.

Senator SMOOT. Do you mean to say that the American importer does not know what the prices are in this country?

Mr. RAFTER. I mean just that with regard to comparable and competing goods.

Senator SMOOT. Then he is silly to buy without knowing what price he has to meet. I hardly think there was ever a buyer who went to Europe without knowing whether he could meet the price of goods made in America.

Mr. RAFTER. He may have an idea that the range of prices is higher than on the other side, but even if he has the idea he may not know what the price is.

Senator SMOOT. If he does not know his business, then he will go "busted" sooner or later.

Mr. RAFTER. Further than that, there is another factor which is an unknown quantity, so far as the importer is concerned, and that is there are no comparable goods of domestic make here and no way of knowing what would be the appraiser's idea of comparability.

The CHAIRMAN. That has all been gone over very carefully in these hearings. With other gentlemen waiting here, is it fair to take up the time of the committee with platitudes? The committee wants to be patient and give the gentleman every opportunity, but comparability has been discussed here for a day and a half.

Mr. RAFTER. I was not here, sir.

The CHAIRMAN. That is unfortunate, but the committee has been patiently here in this hot weather listening to these arguments.

Senator McLEAN. Are goods comparable to these made in this country?

Mr. RAFTER. Some; yes. Others, I would say offhand, no. I am not a merchant, but my information is that in some of the lines comparable goods are made; that is, what would be staple goods, cheaper laces and embroideries.

Senator McLEAN. Then I suppose the man who purchased them abroad knows what he is going to sell them for?

Mr. RAFTER. Those that are not comparable?

Senator McLEAN. Yes. He knows what he is going to sell them for in this country.

Mr. RAFTER. He knows now; yes.

Senator SMOOT. And if we provide in this bill that he has to take an oath as to the value of those goods in this country, what they are going to be sold at, the same as he is compelled to do now as to the value of foreign goods, there will not be very much trouble in collecting the duties.

Mr. RAFTER. That would be true if he knew his own selling price would be adopted by the appraiser, but he does not know that. As I say, the first and primary method would be to resort to domestic rates.

Senator SMOOT. If the appraiser does not accept that price, the appraiser has to show him there are other goods that would sell for more or less.

Mr. RAFTER. No; the burden is on the importer, sir.

Senator SMOOT. Not after he has taken an oath, if we provide that.

Mr. RAFTER. The importer is obliged to declare the true dutiable value before appraisement.

Senator SMOOT. On any foreign goods, but this bill requires him to declare under oath the American selling price.

Mr. RAFTER. There is a provision, sir, that if it is not the true dutiable value as eventually found by the appraiser, he would be subjected to additional duty in the nature of a penalty.

Senator SMOOT. That is a penalty.

Mr. RAFTER. Yes, sir.

Senator SMOOT. I am speaking of requiring him to do it the same as he is required now to make an affidavit as to the foreign cost of the goods.

Mr. RAFTER. That is in the nature of a penalty.

Senator McLEAN. Most of these goods come in under invoice value, do they not?

Mr. RAFTER. The invoice value, sir?

Senator McLEAN. Yes.

Senator WATSON. You mean now?

Senator McLEAN. Now; yes.

Mr. RAFTER. At the invoice value; yes, sir; at the purchase price.

Senator McLEAN. Without any regard to what the real market value is?

Mr. RAFTER. If there is any difference, of course, they take the higher valuation.

Senator McCUMBER. Do you have any difficulty whatever with the appraisers not agreeing with the values that are given in the inventories?

Mr. RAFTER. In the invoice?

Senator McCUMBER. Yes.

Mr. RAFTER. Very frequently. They have differed ideas about values than the importers.

Senator McCUMBER. Do you have very much trouble of that kind?

Mr. RAFTER. Very frequently.

Senator McCUMBER. You would have no less or no greater if you had the American valuation than with a foreign valuation, would you?

Mr. RAFTER. In my judgment the number of differences resulting in appeals from reappraisement, in the nature of protests from the appraisers' findings, would be multiplied many times over.

Senator McCUMBER. Because of the fact that they have to examine the American price?

Mr. RAFTER. Because of the fact that you are getting away from the appraisement of the exact goods based upon the foreign value of the exact goods, and take a substituted value of other goods which are said to be comparable, a value which must be found in many

different places, or at least in one place out of many different places in this country, as compared with a more restricted locality under the present system:

Senator SMOOT. There are not as many places in the United States as in the balance of the world?

Mr. RAFTER. That is true, Senator, but I am sure you will agree with me that in any foreign country, I don't care what one you take, for almost any given commodity, there is only one principal market and the appraisers know where that market place is, and they know who are selling in that market place, and they know how to describe the merchandise which they require information on.

Senator SMOOT. There are different prices in different parts of the world on the same class of goods?

Mr. RAFTER. You mean in different countries?

Senator SMOOT. Certainly.

Mr. RAFTER. If you can find the same piece of goods in different countries you may find different prices.

Senator SMOOT. Certainly.

Mr. RAFTER. As an example, take chinaware coming from France or Japan, or Germany, or England. They are all different. Nobody for a moment would say that the commodities coming from those countries are the same, even though they are all described as chinaware.

Senator SMOOT. There are cotton goods and woolen goods and a good many such goods.

Mr. RAFTER. Take our own line, which we are concerned with. Laces coming from England are not the same as laces from France or laces from Germany, and they sell in different countries depending upon their desirability from the standpoint of the buyer.

Senator McCUMBER. We have five witnesses and propose to adjourn at five o'clock. We have only about seven minutes for each witness.

Mr. RAFTER. I shall be very brief in concluding my remarks, if I may go on for a moment.

The CHAIRMAN. You can put any brief into the record you desire.

Mr. RAFTER. May I ask how long I will be allotted for that purpose?

The CHAIRMAN. You can have as long as you desire to put in your brief. You may put in your brief any time next week.

Mr. RAFTER. There is one further point I would like to suggest to the committee, and that is, even in the case where it is found there are no comparable domestic goods being sold in this country, and where the appraiser as a consequence is permitted to follow the value for sale of the imported goods, he is not limited to the price of the particular goods, but he must take into consideration the value of all comparable imported goods.

The CHAIRMAN. Put that in your brief. Mr. Howard is here, representing the Grasselli Chemical Co., and I promised him faithfully he would have an opportunity to be heard. He has to leave the city to-night.

BRIEF OF JOHN R. RAFTER, REPRESENTING THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA.

The Lace and Embroidery Association of America consists of the 40 American business houses named below which are engaged in the importation and sale of laces

and lace articles, embroideries and embroidered articles, trimmings, fancy cotton goods and novelties, and deal in domestic as well as foreign products.

As merchants, we know what selling methods must be followed in marketing our goods in this country and what risks may and may not be incurred in buying our merchandise abroad.

When selling goods for future delivery and when buying goods for stock, we must know what the duty-paid cost of our merchandise will be, for on our lines of imports duty is a big element of cost.

With foreign valuation as a basis for assessing duties, we know with reasonable certainty what the amount of duty will be. Under the American valuation plan of the Fordney tariff bill the amount of duty on our importations will not be known to us until after arrival and appraisement of our merchandise, nor will it be possible to approximate it any earlier.

The American valuation plan, therefore, destroys the very foundation on which our importing business is based—our knowledge of costs.

The association and its members earnestly protest against its enactment, urgently request that such additional tariff protection as may be necessary be provided for in a manner which will still permit importing, and respectfully invite the attention of the Committee on Finance to the following criticism of the proposed law:

THE PROPOSED LAW.

Section 402, Title IV, of the Fordney tariff bill (H. R. 7456) provides for the assessment of ad valorem duties on:

(1) The selling price of comparable and competitive domestic products in the principal market or markets of the United States on the date of exportation of the imported merchandise.

Or, when such value can not be ascertained—

(2) The value of the imported merchandise for sale in the United States on said date, to be determined from—

(a) The selling price or cost of production of comparable domestic products.

(b) The selling price in the United States of comparable imports.

(c) The selling price, market value, or cost of production of the imported merchandise in the foreign country, plus or minus any or all costs, charges, expenses, duties, profits, or commission.

The first and second methods of appraisement are not alternate in the sense that either may be used at will; but on the contrary the second method is applicable only upon failure of the first. Under the second method the criteria of value mentioned under subdivisions (a), (b), and (c), supra, are neither mandatory nor exhaustive, nor is any definite mode of appraisement prescribed. Comparability of merchandise is neither defined nor explained.

THE PURPOSE OF THE MEASURE.

The avowed purpose of the American valuation plan is to afford protection against imports from those countries whose low production costs and depreciated currencies are said to render impossible the fixing of adequate protection rates without at the same time making such rates prohibitive as to other countries. It is directed particularly against German goods.

That being its express purpose, it becomes pertinent to inquire into: (1) The reality of the menace; (2) the appropriateness of the remedy.

Reality of the menace.—Advocates of the plan allege that German costs of production are lower than American costs. This has always been true. They also declare that the difference in costs is accentuated to-day, because German costs are now expressed in a currency which has greatly depreciated and, when reduced to our money, amount to only a fraction of prewar costs in the same country. In support of this declaration figures were furnished to the Committee on Ways and Means and alleged comparisons were drawn. We make no point of the fact that all such information was presented by advocates of American valuation or by parties admittedly seeking high protective duties. We do assert that the comparisons so attempted were absurdly incomplete and consequently unreliable.

Comparative costs to amount to anything must include all elements of cost. Not labor alone, but raw material and all overhead expense as well must be considered. In this connection the now important element of taxation must not be overlooked. Our search for the cost figures submitted to the Committee on Ways and Means in its recent tariff hearings reveals that the showing was invariably limited to the price of labor alone. It was shown how German labor receives the equivalent of about 80 cents

a day as compared with a wage for the American workmen of approximately six times that amount. It was demonstrated that this condition was due to the low value of the German mark. Nothing was said of the fact that, while enjoying the benefits of depreciated currency in the matter of labor costs, the German manufacturer must, because of that selfsame depreciation in currency, pay dearly when it comes to the purchase of his raw material. As very few German industries are supplied with and supported by materials of native origin, this point can not be too strongly emphasized.

There has been no attempt from any source, so far as our knowledge goes, to make a single complete comparison of German and domestic costs.

Further, the statements made that because of depreciation in currency German costs and prices are only a fraction of what they were before the war is unsupported evidence and at variance with the facts. In this connection it must be remembered that as the exchange value of the German mark declined the price of German merchandise in marks increased.

This subject was fully covered at the hearings before the Committee on Finance on the emergency tariff bill (H. R. 2435) in connection with the proposal of the Committee on Ways and Means to limit the conversion value of foreign currencies to not less than one-third their standard metal value. Hearings were held by the Committee on Finance on April 18, 19, 21, 22, 23, and 26, 1921, at which times several Government officials as well as interested parties appeared and testified. As a result of such testimony it was proven beyond question that the number of marks now required to purchase practically all lines of German goods is so much larger than the number of marks required to purchase the same goods before the war that present prices reduced to dollars at the current rate of exchange will show at least the same result in our money as prewar prices reduced to dollars at the standard metal value of the mark.

In so far as our own lines of merchandise are concerned, viz, laces and embroideries, those which we import from Germany cost at least twenty times as many marks as they did before the war. The exchange value of the mark to-day is about 1.25 cents, or approximately one-nineteenth its standard metal value of 23.8 cents.

Appropriateness of the remedy.—The proposed measure will not remove the alleged advantage of Germany and other low production cost countries. The most it will do will be to increase the item of duty alone on imports coming from such countries. It will at the same time and to the same extent increase the duty on imports from all other foreign countries.

The landed cost of the goods, however, will not be affected in any way; and the duty-paid cost of merchandise coming from each foreign country will still retain the same relative position which it holds under the present system of foreign valuation.

It is difficult, therefore, to see what possible benefit can accrue to foreign countries with high production costs by reason of equalizing duties under the American valuation plan, for even as to such of their products as may come in competition with German goods the final cost to the importer, including duties will exceed the duty-paid cost of German goods by the difference between their respective landed costs.

On the other hand, the great bulk of imports coming from foreign countries with high production costs, which do not in any sense compete with German merchandise, will be adversely affected not merely by the greater duties imposed under the American valuation plan but particularly because of the hazard and uncertainty of importing under it. In this connection most of our laces come from France and England, our embroideries principally from Switzerland and France, and our novelties chiefly from France. We import from Germany also, but not to the same extent. So far as our lines are concerned, we would be infinitely better off if Congress would place an embargo on German goods and retain foreign valuation rather than to attempt importing under the American valuation plan.

Yet equalization of duties for merchandise from all foreign countries is advanced as the main object of the intended measure. Were the supposed beneficiaries among the foreign countries consulted on the subject, we venture to assert that none of them would favor the change.

ADMINISTRATIVE DIFFICULTIES UNDER THE PROPOSED LAW.

The plausible claim of greater facility in ascertaining values in this country instead of abroad will not bear inspection, as the following comparison of existing and intended appraisement methods will show.

Foreign valuation.—In finding foreign value the appraiser at the outset sees the consular invoice. For purchased goods it purports to show the purchase price, for consigned goods the foreign market value. The vast majority of imports are purchased.

Purchase-form consular invoices are subject to verification by requisitioning commercial invoices, orders, correspondence, drafts, or other evidence of remittance and by examination of importers' books.

Further, for any given kind of merchandise there are almost invariably several importers. For all similar lines of imports the appraiser not only sees and examines the goods received by the several importers, but he sees and compares the consular invoices to all. For example, he may have 10 invoices to 10 different importers covering the same kind of merchandise and bearing approximately the same dates. If the price to one importer is lower than the price to the other nine, the low man's value is raised by the appraiser to meet the others' prices. If the price to one importer is higher than the price to the other nine, other things being equal, the invoice values of the nine are advanced by the appraiser to the value of the one. In other words, they are all put on the same level, which is almost invariably the highest price.

That at least is a definite, tangible, and fairly safe guide for the appraiser to start with. It is supplemented on many lines of imports by special data prepared by Government officials and forwarded from the foreign markets to the appraisers, e. g., the St. Gall schedule on embroideries. If there is any occasion to require further information than that disclosed on the consular invoices or covered by the special reports alluded to, the appraiser knows exactly what to look for and where to find it. The merchandise may be embroideries from Switzerland, linens from Ireland, china-ware from France, sardines from Norway, or jute bags from India. If so, he will accordingly address his inquiry to St. Gall, Belfast, Limoges, Stavanger, or Calcutta, for there is only one principal market in most foreign countries for any given commodity. That market, too, is known and recognized by all appraising officers.

Further, under existing methods the appraiser can readily identify the subject matter of his inquiry. He does this by reference to the manufacturer's number of the item in question appearing on the consular invoice, or in some cases by reference to the consular invoice number alone, inasmuch as copies of all consular invoices are on file in our several consulates. Therefore, by the simple expedient of a short cable message or letter addressed to the appropriate consular officer or Treasury agent in the foreign country from which the goods come the appraiser is quickly put in touch with the place where he knows the very merchandise in question is sold, where he knows the name and address of the seller, and where he can unmistakably make known the object of his search. In a word, when investigating foreign market value, the appraiser is not embarking on a fishing expedition.

The instances where foreign sellers have denied permission to our Government officials to examine their sales records have been so few compared with the volume of complete and satisfactory investigations which are made yearly not only by our Treasury agents but by our consular officers as well that it would be nothing short of absurd to upset the present method of customs administration because of them. This statement may be verified by referring to the comparative value report bureau of the Treasury Department through which all reports of foreign investigation pass. On such occasions, too, the refusal of the foreign seller occurred when there was no adequate remedy. Now there is a remedy, namely, exclusion of the recalcitrant seller's merchandise, as provided by section 404, Title IV, of the emergency tariff act—a permanent feature of the law.

American valuation.—Turning, now, to the proposed system of American valuation, how will the appraiser proceed? The country is large. Its markets are many and by no means well defined. All of the larger cities are principal markets for a multitude of imports—certainly for the sale of such articles as we import, viz, laces, embroideries, and novelties. Within each of those markets, too, there will be almost as many wholesale prices for a given article, be it domestic or imported, as there are sellers. This is due not only to the many different classes of buyers but also to the different classes of sellers. The mill or factory, for example, will have one scale of prices, the jobber will have a different scale, yet both sell at wholesale.

In undertaking his new task the appraiser, to begin with, will have nothing better or more tangible than his own resourcefulness to rely upon. Let us follow his steps by taking, as a concrete illustration, the appraisement of some machine-made Valenciennes lace from Calais, France—one of the simplest items among our varied imports. Let us assume, too, that by the time the proposed law takes effect the appraising officers have been apprised of the names and addresses of all lace manufacturers and lace jobbers in the principal markets of the United States.

The appraiser's first duty will be to ascertain whether comparable domestic goods were sold in such markets. To this end, a comparison between the imported merchandise and competing domestic products is necessary. The appraiser himself can not visit the various sellers for the purpose of comparing their lines with the imported article. The delay and expense incident to such procedure make it impossible. He can not send a sample from the importation to each of them in turn, for the delay

would be equally great, and he would be relying on their judgment rather than his own on the question of comparability. Neither can he send samples or cuttings of the lace to all of them simultaneously, for he would still be substituting their judgment for his own, and even if we consented to the cutting of our merchandise we fear that there would not be enough samples from any one importation to go around. Then too the submission of our articles, whether laces, embroideries, or other novelties, to the domestic manufacturers would be an unwarranted proceeding from any viewpoint. The patterns and designs are trade secrets—in many cases our own creative ideas. Since they are not susceptible of patent or copyright, our only protection against imitation or reproduction lies in keeping them from our competitors as far as possible.

Yet a comparison must be made, and the appraiser must make it himself. It will not do to say that the manufacturers and jobbers of domestic goods will supply him with catalogues, samples, or drawings of their own lines, because by the time the mass of data so collected was separated, catalogued, and filed (and we doubt its susceptibility of such treatment), many of the patterns submitted would be discontinued and much of the information painstakingly gathered would be obsolete. In this connection, it must be remembered, we are discussing laces and other seasonal articles which are in vogue for a short time only, which are constantly changing and which are subject to frequent changes in price. Nor can the work of collecting such data and disseminating such information to the appraisers be delegated to a special body created for that purpose, as has been suggested. Such a course would not only entail a duplication of the checking and comparison which the appraiser would eventually have to do anyway, but, from a practical standpoint, the information thus obtained, when assembled and ready for use, would be equally antiquated.

Having taken the first step, however, it will doubtless be found that domestic laces are sold in many markets of the United States and at widely different prices even within the same market. The appraiser, however, must apparently determine not only the principal markets, but the prevailing wholesale price in such markets. This is a big contract and one which holds forth little promise of complete performance.

Having found a comparable domestic lace, the principal market for its sale and its prevailing wholesale price, the appraiser must go further still; for it will invariably be found that the imported and domestic articles are different. The difference may be in the pattern, finish, workmanship, or general appearance. They may be comparable, it is true, but one will always be superior to the other. That being so, since it is the imported article which must be appraised some adjustment in the price of the comparable article, whether by addition or subtraction, will be necessary in all cases. On that point most assuredly the appraisers will differ widely from one another. The adjustment, even by the best qualified, being entirely a matter of personal opinion, will be little better than guesswork. In this connection, it will be remembered that there are about 400 ports and subports of entry, with an appraiser or acting appraiser at each. There will, we predict, be different values for the same goods at the different ports of entry, inequality of taxation, and general dissatisfaction on all sides.

But that is not all.

As to many of our imports it will doubtless appear that there are no comparable domestic articles. This applies particularly to our novelty goods, handmade embroideries and embroideries made of silk, artificial silk, tinsel, or metal thread. In appraising those it will probably be necessary for the appraiser to find the prevailing wholesale selling price of comparable imported merchandise in the United States at the time the articles to be appraised left the foreign country.

This second means of appraisement, it will be noted, may only be resorted to when sales of comparable domestic goods are lacking. It is not an alternate method, as remarked before, in the sense that it may be used at will. That being so, wherever the second method is applicable there will likely be considerable lost motion and much time wasted before it is actually applied; for the appraiser must first satisfy himself of the absence of comparable domestic goods. The more careful and conscientious the appraiser the greater will be the delay. And this delay will be prolonged when it is remembered that the appraiser's search for prices under the second method must be as wide and all-embracing as that required by the first method. In other words, under both methods he must comb the principal markets of the United States for the prevailing wholesale price.

HAZARD OF IMPORTING UNDER THE PROPOSED LAW.

We may speak with authority of the American valuation plan's effects only in relation to our own business.

Our lines comprise laces, embroideries, fancy cotton goods, and novelties of many kinds—all largely intended for women's wear. We handle domestic as well as foreign goods. Some of us manufacture some of these articles in this country; and for that purpose own and operate our factories here and employ American labor. This phase of our business represents a total investment of approximately \$3,000,000, the employment of about 2,000 hands, and an annual output of about \$7,000,000, as is shown by our statements furnished the Committee on Finance at its hearing of July 27, 1921. It should give some assurance of our sincerity in opposing the proposed law; for it is not likely that those of us who have manufacturing interests in this country would prejudice their investments by unnecessarily opposing a bill which is said to be beneficial to just such interests.

Speaking of our imported lines collectively, they are so special in character and novel in execution, style, pattern, or design that they are not carried in stock by the foreign manufacturers, but are made to order to meet our own individual ideas and tastes. They take from three to six months to make. They are continually changing to meet the popular fancy. They must be sold when favored by the whims of fashion or not at all. They can not be carried over from one season to another.

As a result a large part of our lines is sold by us in this market from samples before we place our orders with the foreign manufacturers. This is an integral part of our merchandising system—an essential feature of our business. It can not be changed, on account of the character of the stocks we handle. The same method is employed in many lines of trade besides our own.

Now, it stands to reason that a merchant when selling goods must know their cost. Otherwise he can not fix his selling prices. In selling from stock he must know present cost. In selling for future delivery he must know future cost, i. e., cost on arrival when ready for delivery to his customers. When buying goods, too, their ultimate cost must be known. This applies to the goods which we purchase for stock which have not been sold in advance. These costs, it is true, need not be known with mathematical exactitude; but a fair degree of accuracy—with an allowance of only a few per cent either way—is an absolute necessity. On no other basis can business houses like ours survive.

At the present time in our relations with the customs we know where we stand. Through the St. Gall schedule, quotations from and correspondence with our foreign sellers, we are in constant touch with the foreign value of our lines. In other words, when selling goods in this country for future delivery or buying goods abroad which require time to manufacture, we can tell in advance with reasonable certainty what the foreign value of our merchandise at the time of exportation will be and what the duty on our importations will amount to. This is possible, not only because the sources of information are now open to us, but also because under the present system of valuation the foreign value of goods made to order is taken as the last wholesale price at which actual deliveries have been made at or before the time of exportation. As a result we are rarely mistaken in our calculations.

Under to-day's conditions, therefore, when a customer visits us or when we visit him, we are in a position to quote prices and to take orders, with every assurance that the transaction to be later consummated by delivery will show a margin of profit. The same applies to our merchandise bought for stock.

But what will be our position under the American valuation plan? Let us analyze the situation.

We can not alter our methods to meet the new condition. The nature of our business precludes it. We must still take orders for future delivery. We must still sell before importing. We must still buy goods which require several months for manufacture. Yet how is it to be done? We can not quote prices nor safely place our orders without knowing costs. Our duty at 60 per cent under the present law is an important element of cost. It will be a bigger factor under the proposed bill. The primary basis of valuation, having been changed to the prices charged by American manufacturers, will no longer be known to us. Our old channels of information will be useless. The new ones will not be open. Indeed, if they were, it would make little difference. No matter how keen our desire or how diligent our search, it would be futile to attempt to learn the amount of duty to be paid on our importations. The markets in this country are too many, the sales too numerous, the prices too varied to permit of anything but the merest guess at the dutiable value of our imports.

Even assuming, however, that we could satisfy ourselves as to dutiable value based on selling prices of comparable goods in this country, what reason is there to suppose that the appraiser would have the same ideas as ours as to the comparability of the goods, the principal market for their sale and their proper wholesale price among the many wholesale prices? These are matters which rest largely on personal opinion, and as to which no two individuals may think alike. They seldom enter into foreign

valuation for the simple reason that under such method the goods covered by 99 invoices out of every 100 are appraised on the basis of the same kind of goods, sold by the same seller in the same market place to other buyers. On the very few occasions under the present system, when resort to comparable merchandise is necessary, it is a matter of record, as the reappraisement files of the Board of General Appraisers will show, that the results are both uncertain and unsatisfactory.

As we visualize the situation at the present moment our import business is to be completely altered. From a legitimate and safe occupation it will become a hazardous undertaking. Not only will our prices depend on circumstances beyond our control, and be regulated to a large degree by the dealings of domestic producers, but we shall be seriously hampered in fixing any prices. Every order taken by us will be a speculation; every commitment made will be a risk. In our future import dealings, it would seem, we are no longer to be business men, but gamblers.

CONCLUSION.

Naturally, we oppose the change. We believe it unnecessary. The danger of commercial invasion from Germany, or countries similarly situated, in our opinion is grossly exaggerated. Whatever danger may exist should be met directly by as simple a remedy as possible. The cure should not be worse than the disease. At this uncertain period in the economic life of our country, when exports and imports are shrinking month by month, when our ships lie idle at their docks, when the process of deflation is still under way, we can not condemn too strongly the ineffable folly of an experiment which will greatly increase prices, prohibit imports, further curtail exports, disrupt the customs service, interfere with legitimate business dealings, and which is already causing apprehension, unrest, and general dissatisfaction among merchants.

Members: Amrein, Freudenberg & Co., 212 Fifth Avenue, New York; Billwiller Bros., 315 Fifth Avenue, New York; Blanck & Co., 113 Fifth Avenue, New York; Blum, Gritzner & Singer, 113 Fifth Avenue, New York; Case & Co., 117 Fifth Avenue, New York; E. T. Eberhardt & Co., 874 Broadway, New York; Goldenberg Bros. & Co., 109 Fifth Avenue, New York; Goodman & Dessauer, 126 Fifth Avenue, New York; Frederick Hacker & Co., 33 West Twenty-first Street, New York; L. H. Junod & Co., 104 Fifth Avenue, New York; Klauber Bros. & Co., Fifth Avenue and Sixteenth Street, New York; Krower-Tynberg Co., 32 West Twenty-third Street, New York; Loeb & Schoenfeld Co., 27 West Twenty-third Street, New York; Frederick Ludwig & Co., 110 Fifth Avenue, New York; Max Mandel, 19 West Twenty-first Street, New York; Mills & Gibb Corp., Fourth Avenue & Twenty-second Street, New York; Muser Bros., 1150 Broadway, New York; Naef Bros., 1170 Broadway, New York; Neuburger & Co., 124 Fifth Avenue, New York; Oppenheimer, Doernberg Co., 99 Fifth Avenue, New York; Reichenbach & Co., 111 Fifth Avenue, New York; G. Sidenberg & Co., 114 Fifth Avenue, New York; Stein, Doblin & Co., 935 Broadway, New York; S. & A. Stern, 87 Fifth Avenue, New York; Stern & Stern, 79 Fifth Avenue, New York; J. K. Stiefel & Co., 126 Fifth Avenue, New York; Tobler Bros. & Co., 387 Fourth Avenue, New York; P. K. Wilson & Son, 130 Fifth Avenue, New York; Thomas Wilson & Co. (Inc.), 104 Fifth Avenue, New York; Wohl, South & Co., 150 Fifth Avenue, New York; Voss & Stern, 71 Fifth Avenue, New York; Sol Goldsmith & Son, 138 Fifth Avenue, New York; Goldfrank Co., 135 Fifth Avenue, New York; Harry Angelo & Co., 485 Fifth Avenue, New York; Burr & Hardwick, 130 Fifth Avenue, New York; Clafins, (Inc.), 224 Church Street, New York; Doob Sons & Co., 102 Fifth Avenue, New York; I. Lindenbaum & Co., 48 Walker Street, New York; Jonas Bros., 926 Filbert Street, Philadelphia.

STATEMENT OF HENRY HOWARD, CLEVELAND, OHIO, REPRESENTING THE MANUFACTURING CHEMISTS' ASSOCIATION OF THE UNITED STATES.

The CHAIRMAN. Please state your full name to the committee, Mr. Howard.

Mr. HOWARD. Henry Howard.

The CHAIRMAN. You are in the chemical business?

Mr. HOWARD. I represent not, as put down in the list, the Grasse Chemical Co., but the Manufacturing Chemists' Association of the United States, in the capacity of chairman of the executive committee.

The CHAIRMAN. What particular concern are you immediately identified with?

Mr. HOWARD. The Grasselli Chemical Co.

The CHAIRMAN. Where is that located?

Mr. HOWARD. Cleveland, Ohio.

The CHAIRMAN. What do they make?

Mr. HOWARD. Heavy chemicals, acids, chemicals, dyes, intermediates.

The CHAIRMAN. Will you proceed briefly, Mr. Howard, and state your views, and anything further you may desire to add you may print as a part of your remarks. We want to treat all of you gentlemen with every courtesy, but it is obvious with the revenue law coming on and a demand all over the country for speed that we must hurry along.

Mr. HOWARD. Mr. Chairman, the lace people have had three hours, and I want only about 15 minutes, plus any time you take up by questions.

The CHAIRMAN. I know they have consumed a great deal of time, and it is not fair to you. You may proceed.

Mr. HOWARD. The Manufacturing Chemists' Association of the United States, organized in 1872, is an association of the manufacturing chemists of this country, and a list of its members is hereto annexed.

We urge you to consider with great care the suggestion which has come from many sources, and with which we are heartily in accord, that the domestic value be taken as the basis for calculating ad valorem rates or for any rates that are in any way regulated by the value of the imported article. This procedure has been advocated by many of our leading statesmen during the past 100 years, but never in our history has there been a time when its advantages are so apparent as at present when we are almost the only country on a gold basis and when values in foreign markets owing to depreciated currency are so unstable and distorted and vary in such great degree among different countries that it would be practically impossible intelligently to write a tariff to-day that is based on foreign valuation.

Two main points of attack of this plan have come to my attention: First, the difficulty of determining the domestic value.

Perhaps the best short answer to this criticism is that whatever difficulties may be encountered in obtaining a fair domestic value they can never be as great on the average as the difficulties encountered in obtaining a fair foreign value. The proof of this is the flagrant undervaluations that are continually taking place in articles covered by ad valorem rates which, although in general well known, are practically impossible to prevent, owing to the difficulty of investigating facts and conditions in foreign countries.

The fact that undervaluation exists to an alarming degree is so well known that it hardly requires any proof. I will, however, call your attention particularly to a statement made by Mr. William Burgess to the Committee on Ways and Means. Mr. Burgess says:

I beg to quote from an address made at a large commercial gathering in Berlin, by the chairman, one of the largest and most reputable merchants in Germany. The address was made behind closed doors and afterwards was read before all the chambers of commerce within the realm.

The address referred to by Mr. Burgess, while criticizing the old United States tariff policy of fixing a duty to compensate for the difference in the cost of production at home and abroad, goes on as follows:

Experience has taught that the workings of a tariff have not fulfilled the purpose for which it was created, but, on the contrary, the information gained under this regulation concerning costs of production has been so defective that in many cases it has been misleading, because through the prudence of our officials we have taken care that investigations of this character shall throw little light upon the actual value of their consignments. In many cases trouble has been avoided by having invoices consulsated remote from districts in which the goods are manufactured.

The second point of attack on American valuation, which if justified would be a serious one, is that the plan of using domestic valuation as a basis of assessing ad valorem rates would be objected to by our State Department on the ground that it might be in conflict with our commercial treaties with foreign countries which provide in substance that there shall be no discrimination and that each country shall have the same privileges in trading with us as any other. In other words, practically all of our commercial treaties include a "most-favored nation" clause. The thought of the opponents of American valuation apparently being that it supersedes a system wherein the domestic value in each of the foreign countries is taken as the basis for assessing ad valorem duties and that therefore with foreign valuation as at present each country is treated exactly alike.

If this contention were true, then we must admit that our present system of specific duties is the grossest discrimination, because we charge the citizens of each country sending goods into the United States exactly the same rate, when figured in money per unit quantity of the article imported, irrespective of the probable fact that the market value of the article is widely different in different countries.

The opponent of domestic valuation, that is, the importer, might well say if he were consistent that a sliding scale for specific duties should be provided whereby the country having the lowest market value, and therefore presumably the lowest costs for a given article, should be given a preferentially lower specific rate than its neighbor, with higher costs and therefore higher market values.

This is exactly what we are now doing with our ad valorem duties based on foreign valuation, and I maintain that besides being bad for the United States the system is the grossest discrimination against the countries having the higher costs and must result in many cases in practically barring them from doing business in this country. Careful consideration of this point will convince you that the old system of foreign valuation is, in fact, discriminatory in a most marked and unfair manner.

Take a concrete instance; phenolphthalein was recently offered in the United States by German producers at 68 cents per pound, 25 per cent ad valorem, duty paid, which would make the market price in Germany about 55 cents per pound. The market price at the same time in England on phenolphthalein was \$1.50 per pound, and 25 per cent ad valorem duty would be 37.5 cents per pound, or a differential against the British product and in favor of the German product of 24.5 cents per pound.

Is not this discrimination of the grossest sort, which would be entirely obviated if the domestic valuation in the United States were

used for all alike? Ad valorem duties combined with domestic valuation as a basis is in fact the nearest approach to specific duty in the many cases where a specific duty is not practicable, and we believe its fairness and desirability is so evident on studying the question that it should be made a law, irrespective of party lines, because it is just as necessary and just as desirable in a tariff for revenue as in a tariff for protection.

It seems to us that American valuation should not be considered as in any sense a question of tariff policy. It is simply an administrative feature and is just as valuable in a tariff for revenue only as in a protective tariff. Its justification is its fairness and protection to all alike; to the importers from all countries who get equal treatment no matter what the rates of exchange may be; to the United States Government whose revenues are protected against fraudulent undervaluation and to American industry which will be insured thereby that it will actually receive the protection Congress intended.

The following is a list of the officers and members of the association:

MANUFACTURING CHEMISTS' ASSOCIATION OF THE UNITED STATES.

The Manufacturing Chemists' Association of the United States was organized in 1872. The following is a list of its members:

OFFICERS.

President: Dr. Chas. L. Reese, E. I. du Pont de Nemours & Co., Wilmington, Del.
 Vice presidents: H. H. S. Handy, Semet-Solvay Co., Syracuse, N. Y.; C. Wilbur Miller, Davison Chemical Co., Garrett Building, Baltimore, Md.
 Treasurer: S. W. Wilder, Merrimac Chemical Co., 148 State Street, Boston, Mass.
 Secretary: John I. Tierney, 540 Woodward Building, Washington, D. C.
 Executive Committee: Henry Howard, chairman, The Grasselli Chemical Co., 1300 Guardian Building, Cleveland, Ohio; Adolph G. Rosengarten, Powers-Weightman-Rosengarten Co., Ninth and Parrish Streets, Philadelphia, Pa.; Lancaster Morgan, General Chemical Co., 25 Broad Street, New York, N. Y.; C. Wilbur Miller, Davison Chemical Co., Garrett Building, Baltimore, Md.; D. W. Jayne, the Barrett Co., 17 Battery Place, New York; Edw. L. Pierce, Solvay Process Co., Syracuse, N. Y.; H. H. Dow, the Dow Chemical Co., Midland, Mich.

MEMBERS.

Armour Fertilizer Works, Chicago, Ill.
 The Barrett Co., 17 Battery Place, New York, N. Y.
 Baugh & Sons Co., 20 South Delaware Avenue, Philadelphia, Pa.
 Henry Bower Chemical Manufacturing Co., Gray's Ferry Road and Twenty-ninth Street, Philadelphia, Pa.
 Calco Chemical Co., Bound Brook, N. J.
 B. P. Clapp Ammonia Co., Providence, R. I.
 Columbia Chemical Co., Barbeton, Ohio.
 Consolidated Color & Chemical Co., 122 Hudson Street, New York, N. Y.
 Contact Process Co., P. O. Box 98, Buffalo, N. Y.
 Davison Chemical Co., 1101 Garrett Building, Baltimore, Md.
 Detroit Chemical Works, Detroit, Mich.
 Diamond Alkali Co., Pittsburgh, Pa.
 Dow Chemical Co. (the), Midland, Mich.
 E. I. du Pont de Nemours & Co., du Pont Building, Wilmington, Del.
 General Chemical Co., 25 Broad Street, New York, N. Y.
 Grasselli Chemical Co., 1300 Guardian Building, Cleveland, Ohio.
 Harshaw Fuller & Goodwin Co., 720 Electric Building, Cleveland, Ohio.
 Herf & Frerichs Chemical Co., St. Louis, Mo.
 Heller & Merz Co., Hamburg Place, Newark, N. J.
 Hercules Powder Co., Wilmington, Del.
 Heyden Chemical Works (the), 135 William Street, New York, N. Y.
 Hooker Electrochemical Co., 40 Wall Street, New York, N. Y.

Hord Color Products Co., 424 East Market Street, Sandusky, Ohio.
 Klipstein, E. C., & Sons Co., 644 Greenwich Street, New York, N. Y.
 Kalbfleisch Corporation (the), 31 Union Square West, New York, N. Y.
 Chas. Lennig & Co. (Inc.), 112 South Front Street, Philadelphia, Pa.
 Mallinckrodt Chemical Works, 3600 North Second Street, St. Louis, Mo.
 Mathieson Alkali Works (the), 25 West Forty-third Street, New York City.
 McKesson & Robbins (Inc.), 91 Fulton Street, New York, N. Y.
 Merck & Co., 45 Park Place, New York, N. Y.
 Merrimac Chemical Co., 148 State Street, Boston, Mass.
 Michigan Alkali Co., Ford Building, Detroit, Mich.
 Mutual Chemical Co. of America, 55 John Street, New York, N. Y.
 National Ammonia Co. (the), Frankford, Philadelphia, Pa.
 National Aniline Chemical Co., 21 Burling Slip, New York, N. Y.
 National Lead Co., 129 York Street, Brooklyn, N. Y.
 Naugatuck Chemical Co. (the), Naugatuck, Conn.
 New England Fuel & Transportation Co. (the), 111 Devonshire Street, Boston, Mass.
 Newport Chemical Works (Inc.), 120 Broadway, New York, N. Y.
 Niagara Alkali Co., Niagara Falls, N. Y.
 Nichols Copper Co., 25 Broad Street, New York, N. Y.
 Pennsylvania Salt Mfg. Co., Widener Building, Philadelphia, Pa.
 Chas. Pfizer & Co. (Ltd.), 81 Maiden Lane, New York, N. Y.
 Philadelphia Quartz Co., 121 South Third Street, Philadelphia, Pa.
 Powers-Weightman-Rosengarten Co., Ninth and Parrish Streets, Philadelphia, Pa.
 Rhodia Chemical Co., New Brunswick, N. J.
 Roessler & Hasslacher Chemical Co., 709-717 Sixth Avenue, New York, N. Y.
 Rollin Chemical Co. (Inc.), Charleston, W. Va.
 Semet-Solvay Co. (the), Solvay, N. Y.
 Solvay Process Co., Syracuse, N. Y.
 Tartar Chemical Co., 135 William Street, New York, N. Y.
 U. S. Industrial Alcohol Co., 27 William Street, New York, N. Y.

Now, this morning a good deal was said about the difficulty of determining American valuation and about the way in which our appraisers would be swamped. If the importer in this country is required to declare the American valuation just as the foreign valuation is now declared by the importer, why, then, you would have no more complication than you have now. You would have this advantage, that the appraisers would be in a position immediately to compare that declarative valuation with information which is at the door, right at hand, whereas to-day they have to go back to the countries all over the world to make the comparison. Is it not likely that you would get a good deal closer and more accurate statement of value from the importer when he is declaring on the American valuation, which anybody can check up, than if he makes a declaration of a value which exists 10,000 miles away? In other words, it would seem that the machinery required for getting an accurate valuation would be far simpler under the American valuation plan than under the present system. The fact of the matter is, as we all know, that we have no well defined method for securing information regarding foreign valuation. Of course, the tremendous objection which has been brought out once or twice before to the foreign valuations of to-day, which is one of the principal excuses for making the change, is that the foreign valuation is so different in different countries by reason of the tremendous variance in rates of exchange. Under the present system you have to determine 40 or 50 or 100 valuations, and have to have machinery for determining those valuations in all of the foreign countries. Whereas under the proposed system all that machinery could be concentrated right here right at home, under your own jurisdiction.

I think that is all I have to say, Mr. Chairman and gentlemen.

The CHAIRMAN. You will have an opportunity to correct your remarks, if you so desire.

Mr. HOWARD. I would like to have that opportunity, sir.

STATEMENT OF CLEMENT J. DRISCOLL, REPRESENTING THE LIBERTY LACE AND NETTING WORKS.

The CHAIRMAN. Mr. Driscoll, you may proceed with your statement.

Mr. DRISCOLL. I will not detain you more than one minute.

The CHAIRMAN. Very well, you are a most attractive witness.

Mr. DRISCOLL. I represent the Liberty Lace and Netting Works, and wanted to say to this committee on behalf of our company that they favor the American valuation in this bill.

I want to leave one other thought. In the course of the hearings it has been advanced constantly that if the American valuation plan is adopted the so-called importer will be driven out of business. Just this one thought.

The importer is a jobber. He is essentially a distributor, and in the last analysis it will not make the least bit of difference to him if there is a complete embargo, because all he has to do is to take the ticket off "Made in Germany" and put on "Made in America." During the war he lived and was prosperous and healthy, but he was buying our goods, and his tables were loaded with goods marked "Made in America," and his income-tax returns will show that he was very healthy and happy. The discussion which tends to indicate that he will be driven out of the country or out of existence is absolute fiction. We are not in competition with the importer; we are in competition with the European manufacturer.

Our company is very much in favor of the plan and urge its adoption.

STATEMENT OF DUDLEY HARMON, REPRESENTING THE MANUFACTURERS' ASSOCIATION OF CONNECTICUT.

The CHAIRMAN. You may state your name to the committee, Mr. Harmon.

Mr. HARMON. Dudley Harmon.

The CHAIRMAN. You represent Mr. Hubbard?

Mr. HARMON. Yes, sir.

The CHAIRMAN. He requested you to appear here?

Mr. HARMON. Yes, sir.

The CHAIRMAN. What is your business?

Mr. HARMON. I am the executive in charge of the offices of the association.

The CHAIRMAN. That association represents all the manufacturers of Connecticut?

Mr. HARMON. It has about 800 manufacturers of the State and is thoroughly representative of the industries of the State.

The CHAIRMAN. You may proceed with any statement you have to make to the committee.

Mr. HARMON. Mr. Chairman and gentlemen, I desire for a moment to call your attention to the fact that the Manufacturers' Association

of Connecticut believe the American valuation is essential for adequate protection of Connecticut industries. That has been expressed through formal vote of the executive committee and board of directors.

Senator McLEAN. What was that vote based upon? Was there a referendum on the question?

Mr. HARMON. It was discussed in our meetings, it was the subject of discussion in our association bulletins, but we did not conduct a formal referendum.

Senator McLEAN. Was there any opposition that you know of?

Mr. HARMON. No, sir. I will point out that Connecticut is a highly industrialized State, and that it is a very good cross section of American industry, and among our members are some manufacturers who have large importing interests and whose views on that question differ from those of the majority.

The association is made up of some 800 manufacturing establishments in the State, which last year employed more than a quarter of a million men and women, and its combined aggregate capitalization is nearly \$1,000,000,000. The question of American valuation of imported goods has been before them for several months, and as individuals, in local groups, and through the trade associations, they have supported the action of the State association in favor of the American valuation plan.

The most recent reports to the association show that out of more than 200 plants reporting the average operating schedule is only three and a fraction days a week, with forces reduced from one-fourth to three-fifths or more. A considerable number of plants are closed this summer, from two weeks to indefinite periods. In many instances, plants which are closed, or which have greatly curtailed their operations, are confronted with the spectacle of large quantities of imported, competing goods arriving in the United States, finding a ready market at prices far below the cost of production in Connecticut. No conceivable sacrifice of profits, no change in methods of operation, no reduction in wages is possible to Connecticut manufacturers which will enable them to get down to these foreign prices.

On the other hand, we believe that the adoption of the American valuation plan will offset the double advantage which the European producers enjoy in the way of their extremely low cost and depreciated currency. Furthermore, we believe that the American valuation is the only available measure that will at this time meet the very critical condition with which we are confronted, and preserve the Connecticut manufacturer's right to compete in his own country with the goods the foreigner produces. We have not seen the soundness of the principle anywhere effectively denied. We are firmly convinced it offers an essential and effective means of relief to our industries.

It seems to us, therefore, that the question of administrative difficulties is very much outweighed by the other points. We think the objections that have been urged on the committee in these hearings are not by any means insurmountable, and the committee has heard competent experts declare the plan is practical in operation from an administrative point of view.

Therefore, we earnestly hope the committee will recommend the adoption of the American valuation plan.

I thank you, Mr. Chairman and gentlemen.

Senator McLEAN. The excess-profit taxes paid by the Connecticut manufacturers will be rather small unless they get some additional protection against foreign importations, will they not?

Mr. HARMON. On the basis of conditions now, I think most of them have dismissed the excess-profit tax from their minds.

Senator SMOOT. They are likely to get out of paying the excess-profit tax?

Mr. HARMON. Very frankly, Senator, many of them are losing money at this moment.

Senator McLEAN. It has been suggested we ought to revise the tax law further, and I will repeat the remark which I made a few moments ago, that apparently the patient needs some nourishment before we open a new artery.

Mr. HARMON. Connecticut as an industrial State is hardly on the map if its factories are not operating.

Senator WATSON. Senator McLean, I do not agree with you about that, but I am not going to argue it here. I think we should revise the tax laws first, but we will take that up later on.

Senator McLEAN. Both are important.

The CHAIRMAN. Is that all?

Mr. HARMON. Yes, sir.

The CHAIRMAN. There is one more gentleman, Mr. David Metzger, of New York, representing the Madeira Embroidery Co.

Mr. METZGER. I am president of that company, but Mr. Lane, the attorney, is here, and he represents about 15 other companies along that line, and I would like to make way for him.

The CHAIRMAN. Very well.

Senator SMOOT. You are an importer?

Mr. METZGER. Yes, sir.

STATEMENT OF THOMAS M. LANE, REPRESENTING MADEIRA EMBROIDERY IMPORTERS, NEW YORK, N. Y.

The CHAIRMAN. You may state your name to the committee.

Mr. LANE. Thomas M. Lane.

The CHAIRMAN. You are an importer?

Mr. LANE. I am an attorney representing certain importers.

We will file with the committee to-day a printed brief outlining the objections of four of the leading Madeira embroidery importers of New York, and I represent probably 15 in addition to those named in the brief who will ask permission to file a later protest against the American valuation plan.

No American house 15 years ago was actively engaged in the production of Madeira embroidery. The Germans controlled the Madeira embroidery industry exclusively. American capital has largely displaced German capital, and the industry has thus come to be one of those developed abroad by American capital.

Senator WATSON. Why do you say it was developed abroad by American capital?

Mr. LANE. It was developed abroad by American capital, because it is an industry sui generis and peculiar to the island of Madeira. You could not produce it anywhere else except on the island of Madeira or adjacent Portuguese possessions.

Senator WATSON. Is that on account of the raw material?

Mr. LANE. It is principally on account of the labor. The production is a peculiar local output made by the women of the island of Madeira.

Senator WATSON. At very low wages?

Mr. LANE. Yes, sir; at comparatively low wages. However, it could not be produced in this country.

Senator SMOOT. You could not get the women living in that country to come to this country to make that lace?

Mr. LANE. I would not admit that, Senator Smoot, but the women in this country don't know how to make it.

Senator SMOOT. I am aware of that. I do not think the women would make that lace.

Mr. LANE. It is peculiar to the women of that island.

Senator SMOOT. Those women would not want to come to live in America?

Mr. LANE. You could not move that population here, if that is what you mean, that lives on the island of Madeira.

The Germans went there and obtained control of the industry, and American capital is gradually displacing them. Seventy-five per cent of the production or output of Madeira embroidery is now controlled by American capital.

Senator McLEAN. Is their output comparable to lace made in this country?

Mr. LANE. No, sir; there is no competitive article in this country.

A further peculiar feature of the industry is that its very essence is novelty, a constant development of new designs, new patterns, new articles, so that that feature of it makes the American valuation plan one of peculiar difficulty. In the first place, under the statute as it is now framed these goods, not having any comparable or competitive products in this country, can not be appraised on the value of the American product—they are self-valuing, so to speak. The importers have found, after the most careful consideration of the question, that they will be absolutely unable to determine what the American selling price will be.

Senator SMOOT. The importer can swear to that, can he not? He can swear to what he is going to sell them for?

Mr. LANE. He can swear to almost anything, Senator Smoot; but the machinery provided in this law has teeth, and he must be careful that he does not swear carelessly.

Senator SMOOT. That is just why I would want him to swear, and then they would not have very much trouble in getting at the value.

Mr. LANE. He is willing to swear if he knows what it is going to cost him—landed in this country.

Senator SMOOT. No importer is going to import those things into this country unless he knows what he is going to sell them for.

Mr. LANE. The answer to that question, Senator, is that he does not and has not. In fact, for six or eight months before he knows what he is going to get for them he puts them in work, and there is no way in the world for him to know the price the market will pay him.

Senator SMOOT. I am talking about when they are to be sold and when the duty is to be paid upon them.

Mr. LANE. After they are here and after he tests out his market.

Senator SMOOT. That is the only article in the lace or woollen goods or cotton goods or any goods that I know of that is to be made from

raw materials that would take as long time as that class of goods would take, that the orders would not be placed six months ahead and the goods sold in this country sometimes six months ahead. We sell woolen goods eight months ahead, before they are made and before the wool is purchased, but we have samples and sell on sample.

Senator McLEAN. Have you any competition on that article?

Mr. LANE. Practically none. These goods are not sold on sample.

Senator McLEAN. If you have no competition in this country, I should think you could fairly estimate your selling price.

Mr. LANE. These are dutiable at $37\frac{1}{2}$ per cent under paragraph 1430 of the bill.

The effect of that on the American selling prices as far as they are now determined, based on present cost of production, would be an increase of about 125 per cent over the rate that has prevailed for the last 30 years. Sixty per cent has been the rate that this article has paid ever since the McKinley tariff of 1890, and that is one of the high rates of the tariffs. Figured at the present production cost and present foreign cost, the rate of 37.5 per cent on a selling price that would pay the same profit as now would be a rate of about 135 per cent on foreign value. We have put the formula in our brief, and it is perfectly evident to anyone that that would be the effect. Take an article that now brings \$10 on this market, the proper ratio of cost is about \$3.75. That article would cost about \$3.75 to produce at Madeira.

Senator SMOOT. Those rates the committee will go into.

Mr. LANE. Yes, sir. Your 37.5 per cent duty is on the \$10 selling price, \$3.75, just 100 per cent which wipes out all profit. In order to have the same profit we now receive the price of that \$10 article would be \$13.50, an increase of about 35 per cent.

Senator SMOOT. You mean you sell the goods that cost you \$3.75 for \$10?

Mr. LANE. Yes, sir; 60 per cent——

Senator SMOOT (interposing). If you are making 200 per cent I can not see where you have any complaint.

Mr. LANE. You misunderstand me; \$3.75 is foreign valuation, and there is 60 per cent duty on that under the present law.

Senator SMOOT. That would be \$2.25.

Mr. LANE. The duty would be \$3.75 at $37\frac{1}{2}$ per cent on a selling price of \$10. And you have to add 50 cents for shipping, and you have to add \$2 for your overhead in the United States. Remember that this industry is essentially an American industry. The goods are manufactured in Madeira and are brought over here and packeted. Your overhead here would be 20 per cent on your selling price, and you would not have any profit left. That would take up the \$10, just exactly.

Senator SMOOT. That is a question of rate, not a question of principle at all. I can not see that your concern would have any trouble with American valuation.

Mr. LANE. We have stated the difficulties in our brief and they seem to be insuperable. There is no way to determine our American value in advance of importation.

Senator SMOOT. You would not manufacture the goods unless you knew you were going to sell them at a profit. If you do, you are the only manufacturers that ever did it.

Mr. METZGER. A manufacturer can not tell that on imported merchandise. He never can tell what the profit is going to be on those goods. That is a thing to be determined afterwards. He hopes to make a profit, but he may actually make a loss. Nobody can determine that. He has to sell them and so does every other importer. We don't bring them here with the idea of selling them at a loss, but in ordinary business procedure that is what takes place.

Senator SMOOT. They do not all lose money?

Mr. METZGER. We hope not.

Mr. LANE. If the committee has time I should like to make a few general remarks about the American valuation plan, based on an experience that I think justifies me in generalizing to a slight extent.

Senator McCUMBER. Is that already in your brief?

Mr. LANE. No; but if the committee does not want to hear it or would prefer to give me an opportunity to present it at a later date I will not take up the time now.

Senator McCUMBER. We have still another witness, and we are supposed to close at 5.

Mr. LANE. I propose entirely to consult your convenience. I may ask you to hear me later.

Senator SMOOT. I suggest that he go on now and we will get through to-night.

Mr. LANE. I have been in the position to observe the operations of our tariff law very intimately for the last 20 years. I have been in intimate touch with every important controversy under our tariff law for the last 20 years, 10 years as a private practitioner and about 12 years as a Government official, and I can not see how it can be overlooked that the question of American valuation does not in any way involve the question of protection, the question of currency depreciation, or any other of the alleged economic reasons for its adoption.

The present system, with the modifications with respect to currency valuations that were inserted by this committee in the emergency tariff law, seems to me to embody one of the most ideal appraisement methods in force in the world, one that most closely and most nearly reflects economic conditions, true principles, and true valuations. We have a system under which we ascertain foreign market values at the principal markets of the countries of exportation. We have had that for 100 years.

Every man who is experienced in importing knows that in European countries the market for production of particular commodities is extremely localized. Under the present rule of foreign valuation, which requires that market values in the principal markets of the country of exportation be ascertained, the problem of the Government officials is relatively simple. It consists in most instances in an investigation of values in a production district at the most a few hundred square miles in area. If we want to know the value of Bradford woolens, we know where to get them; if we want to know the values of Irish linen, we know we can get them in Belfast; if we want to know the values of French silks, we know where to get them; and the same is true of German toys and French tapestry.

The difficulties of obtaining those values that have been alleged here have generally been asserted by men who have had no experience in investigating or ascertaining foreign values. Every man that has had experience, that I have heard speak, seems agreed on the

proposition that the difficulties have been greatly exaggerated. The experiences of those who day after day and year after year have been in touch with appraisement cases before boards of general appraisers is that in the great majority of cases adequate evidence of foreign values is obtained. To say that it is as easy to obtain American values as foreign values must impress every one with practical experience as a grotesque assertion. The problem of obtaining the American values which the law requires will be enormously more difficult.

I say "The American values which the law requires." Pretty nearly every advocate of the plan that you drive into a corner on this proposition and read the statute with and analyze it line by line ends by telling you that some value will be taken that is nothing more than one the appraiser has guessed. I do not want to misstate the position of anybody, but pretty nearly every man I have asked to analyze the statute seems to arrive at that conclusion. In other words, it would not be anybody's value.

To ascertain foreign valuation, as we have for many years now, a reasonably diligent investigation in a limited district of production, where fairly stable prices are established in close competition, is usually all that is necessary. There is no great mystery about it. I fully agree with Mr. Davis, that 50 Government agents could do it, although six or seven have done it fairly well. To ascertain American values under the law the Government officials and the importer must cover a distributing market having an area of 3,000,000 square miles, unless you take away all the remedy which the law affords. The values in a distributing market covering 3,000,000 square miles have got to be ascertained by somebody, if they are not produced by the American manufacturer voluntarily to the appraiser, and it has seemed very probable that the bill has not given the appraiser the proper subpoena power to enable him to compel the American manufacturers to produce those values. I think, that you will keep the American manufacturer with his books and records and papers in court most of the time trying to find that out. From an attorney's standpoint it appears to be an ideal statute, because it promises an era of major litigation that surpasses anything we have known in customs circles for generations.

It is not difficult at all for anybody familiar with the situation to imagine the confusion and embarrassment and delays that would follow an attempt to impose upon appraising officers the burden of ascertaining the American selling price for even staple raw materials, and when they are required to apply that principle to the infinite variety of manufactured articles that come in you are going to be confronted with a chaotic situation.

I have said this has nothing to do with protection. You can take foreign values, you can ascertain with reasonable certainty the domestic industry that requires protection and apply the proper ad valorem rate to give it protection, but unless the domestic manufacturer should have American valuation as a cloak for getting a higher duty than he is entitled to then I think there is no reason why it should be adopted. At this time, when we are confronted with so many difficulties, why add one more major difficulty?

They say because we have fraud. I was much surprised the other day to read in a statement of one of the foremost advocates

of this plan a somewhat hesitant suggestion that there was fraud in 10 per cent of the importations. Most of the official statements I have read I believe limited it to something less than 1 per cent. Now, that statement was repeatedly made. I sat in the hearings before the Ways and Means Committee and heard it made day after day, that this American valuation plan was necessary to prevent fraud on the revenue. Nothing is easier than to make vague and sweeping allegations of fraud and then assume the attitude that the burden has been shifted to the importer. There is one thing noticeable, and I challenge an investigation of the hearings with that in mind, and that is those who have talked loudest of fraud have been those who either were in a position to know very little about it or had a motive in making it appear to exist. Almost everyone in a position to know has agreed that there is very little fraud in connection with imports. I know most of those who are in a position to know in customs circles, and could name them to you in 15 minutes.

Now, the fact is, gentlemen, that the bulk of our import trade is in the hands of large and reputable interests, and the majority of our duties are paid by large importers who are merchants of high honor, respectability, and standing, and who are jealous of their reputations and sincere in their respect for law, as much so as any other body of citizens. I do not think it is going too far to say that in that particular they do not suffer at all in comparison with the gentlemen who have been maligning them.

Senator WATSON. I do not think that is an impelling reason for the adoption of American valuation.

Mr. LANE. It has been advanced as one of the most impelling reasons. Another reason has been the currency situation. I hope you will give that careful attention. I have not the time to go into it to-day.

Senator SMOOT. I think we know something of that.

Mr. LANE. You do, and you have shown an intelligent appreciation of it in the emergency tariff. I hope I state what the committee understands when I say the value of commodities is in no way dependent upon the value of foreign currency, and yet witness after witness has talked as though the value of commodities and the value of currency were completely involved, so that one was dependent upon the other.

Senator WATSON. You think they have no relation whatever?

Mr. LANE. That may be too strong a statement to say there is no relation, but if there is any it is very slight.

Senator SMOOT. Foreign exchange has no relation whatever to the cost of producing goods in one country or another?

Mr. LANE. I say the commodity retains, as a general economic principle, its value in gold, irrespective of the fluctuation in exchange.

Senator SMOOT. I say that is not true, and I can prove it not only by the greatest experts in Germany and England and France, but in other countries.

Mr. LANE. I do not want to disagree too much with experts, but I will venture the assertion that in most cases where it is alleged that exchange has affected commodity values you will find the fluctuation is due to some other economic cause.

Senator SMOOT. I have not time to go into it, but I could tell you the statistics in round numbers given by the statistician of Germany

himself, that the mark is worth 1.3 cents, or was at the time I inquired of him, in gold, and at the same time was worth 1.65—

Mr. LANE (interposing). In international trade?

Senator SMOOT. No; not in international trade, but in buying of clothing, in the buying of food, in the payment of rent and the payment of wages in Germany. There is no question about it at all.

Mr. LANE. I would like to talk that over with you, because I think I could make some suggestions.

BRIEF OF THOMAS M. LANE, REPRESENTING MADEIRA EMBROIDERY IMPORTERS OF NEW YORK.

The undersigned are manufacturers and importers of Madeira embroideries, which under the pending general tariff bill (H. R. 7456) would be dutiable at 37½ per cent ad valorem under paragraph 1430 of the bill as passed by the House.

By virtue of section 402 of the bill the above ad valorem rate of 37½ per cent would be assessed on the American selling price of this commodity.

A duty of 37½ per cent on the American selling price is the equivalent of a duty ranging from 100 per cent to 135 per cent on the foreign valuation, as against a duty of 60 per cent on foreign valuation, which has prevailed for over 30 years. The rate of 60 per cent on foreign valuation under the McKinley tariff of October 3, 1890, under the Dingley Act of July 24, 1897, under the Payne-Aldrich Act of August 5, 1909, and under the Underwood-Simmons tariff of October 3, 1913.

The undersigned petitioners are perfectly willing that the 60 per cent rate should be continued upon the same basis of foreign valuation as heretofore under the above-mentioned acts.

They protest against the adoption of the American valuation as impossible of application to this class of merchandise. They protest against the rate of 37½ per cent upon an American valuation as destructive of a large and important industry developed abroad by American capital, and an important source of revenue to the Government.

The above and other objections to the proposed change in the law are outlined in more detail below:

1. The American valuation plan is wholly impracticable and unjust in its application to Madeira embroideries. Madeira embroideries are the product of the island of Madeira and adjacent Portuguese possessions. They are entirely handwork of unique design and construction made by the native women. The commodity is not made in the United States, nor is there manufactured in the United States any comparable product, so that it is not possible to ascertain from comparable products of this country what the United States selling price should be on the imported merchandise. Under paragraph 402, therefore, the dutiable value would be the value of the imported goods for sale in the United States as of the date of exportation from Madeira.

Such valuation, in the opinion of petitioners, would be impossible of ascertainment. It is impossible to determine what the selling price is going to be until the merchandise has been imported and until the selling price can be ascertained as the result of demand and supply, the desirability of the merchandise, and the general business conditions. Madeira embroideries are made in simple or low-priced effects as well as in elaborate and high-priced effects, and, depending on general conditions of trade, there may be practically no demand for the higher-priced goods. This could not be determined at the time the designs were drawn or the article put in work, and it usually takes six to eight months from the time the work is started until the merchandise can be imported and offered for sale; and long before it can be determined what the selling price will be the article is put in process of manufacture. An importer does not know in advance of offering the goods for sale what he can get for them. He may have a very definite idea as to what they will cost.

Importers of Madeira embroideries have to take the chances of market conditions for merchandise which they offer for sale. They naturally try to realize a profit over cost of laying the goods down in the United States, but, depending on the demand there may be for the merchandise and the desirability of any particular article, the price will be affected accordingly. The selling price and value of an embroidered article depend not solely on the cost of production, but largely on the desirability and attractiveness, which in turn reflect the taste, judgment, and skill of the designing staff that is responsible for developing the line of patterns. Some patterns turn out very well and find favor, and, consequently, either sell more freely or command a better price. Other patterns prove to be not so attractive, but the cost may be just as great. These have to be sold at a lower price and frequently have to be sold out

even at a loss, but at the time of exportation it can not be determined what the ultimate selling price will have to be either of the patterns that find favor or those that are unsuccessful. The price is, furthermore, influenced by the available supply. If the supply is large and the demand is small, as it has been this season, the price will be depressed and the sale will be correspondingly light and the profits correspondingly smaller. All these are factors that can not be determined even by the experienced manufacturer and dealer, much less by the appraiser, who has to find the United States selling value on which the duty is to be assessed.

In the opinion of importers, it is absolutely an impossible task to determine what the selling price is going to be before the dutiable value can be determined. It is possible to ascertain what the foreign cost is and to assess duty on that, but it is not possible to determine in advance of actual sale what the selling price is going to be, and no set of appraisers or any other human being can be found who could determine the selling price. The fact that an article may have sold at \$10 last month would not mean that it may not have to sell at \$9 next month, or that, if conditions warrant it, the price may not even go higher than \$10.

2. The proposed duty of 37½ per cent ad valorem on American value would result in an embargo upon the importation of Madeira embroideries. Under the proposed Fordney tariff the importers of Madeira embroideries would have to suspend business. They could not continue. It would be impossible to produce this merchandise and sell it in the United States at a profit. This can readily be appreciated if the following figures are understood: An article that now sells for \$10 and costs to manufacture \$3.75 gold will pay on the 60 per cent rate \$2.25 duty; allowance for packing, landing charges, including freight and insurance, customhouse entry fee and counsel fee, 50 cents; overhead on the cost of doing business in the United States 20 per cent on the selling price, \$2. This gives a total of \$8.50 and allows \$1.50 profit from which must be deducted the cash discount and cost of boxing.

On the basis of assessing duty on the American selling price, assuming that the selling price, \$10, remained the same, and that the foreign cost, \$3.75, remained the same, you would get—

Foreign cost.....	\$3.75
37½ per cent duty on \$10.....	3.75
Shipping expense.....	.50
Overhead in the United States.....	2.00
Total cost.....	10.00

This would allow no margin of profit or allowance for cash discount and cost of boxing in United States.

A duty of \$3.75 under the Fordney tariff, as compared with \$2.25 duty under the Underwood bill, would result in an increase of duty of 66⅔ per cent (equivalent to about 100 per cent duty on foreign valuation), and would take away all profit from the importer unless he were to advance his selling price to \$13.50 so as to make the same amount of profit, namely, \$1.50, that he makes at present. This is shown in the following way:

Cost.....	\$3.75
Duty, 37½ on \$13.50.....	5.06
Overhead, 20 per cent on the United States selling price of \$13.50.....	2.70
Shipping expense.....	.50
Total cost.....	12.01
Selling price.....	13.50
Profit.....	1.49

Then instead of paying duty as at present of \$2.25, he would have to pay a duty of \$5.06. This would result in an increase in duty of \$2.81, or 125 per cent more duty than at present; or in other words, instead of paying 60 per cent duty on foreign valuation as now, he would actually be paying 135 per cent duty on foreign valuation. This would naturally result in increasing the cost to the consumer tremendously, providing the consumers were willing to pay this fictitious price, but the consumer would not be willing to pay such an increase and it would simply result in killing off the industry.

3. An important industry developed by American capital abroad is threatened with destruction with no compensating benefit to an American industry. American capital has largely supplanted and superseded German capital in the production of Madeira embroideries. Fifteen years ago no American house was actively engaged

in the production of Madeira hand embroideries and substantially all of this class of merchandise that was produced and at that time found its way into this market was sold here by German houses. German houses have practically been eliminated and the American houses have worked into a dominant position in Madeira and now control practically 75 per cent of the production and output. This country has been the largest outlet for Madeira embroideries for a number of years past, and a large number of women who have been trained to do this work over a long period of years have no other means of livelihood in the islands, as they are dependent for their livelihood on the wages they receive for doing this work, and if this source of income were taken away, due to the impossibility of importing these goods into the United States, it would result in great misery and privation to thousands of women and families.

There is no similar American industry that needs additional protection. A 60 per cent rate on foreign valuation has always been considered a high rate on articles of this kind, and under this rate the United States has derived a large revenue and will continue to receive a large revenue in the way of import duties if the cost of importing is not increased.

Madeira embroideries are made by hand. There are no Madeira machine embroidered goods. The number of hands who can produce Madeira embroideries is limited to a comparatively few thousand girls and women who have been either taught in schools or convents or their homes. It is an industry that requires considerable patience, skill, and natural aptitude, which the women in Madeira seem to have inherited. No matter how great the demand may be, the output will at all times be limited, so there is no danger of any excessive amount being dumped on this market to the detriment of any American industry.

As we understand it, the Fordney tariff is not designed to increase the cost of merchandise to the American consumer or to annihilate industries developed by American capital, and even though this hand embroidery is made in Madeira, it is done through American capital and American direction and gives employment to a large number of people in the United States who are required for handling, boxing, laundering, shipping, and distributing these goods after they arrive here.

4. The bill, if enacted in its present form, would cut off a large source of revenue to the Government. During the year 1920 the United States Government received in duties over \$2,000,000 that was paid on the importation of Madeira hand embroideries.

As it is the purpose of the Government to increase the revenues, we believe the Fordney bill is designed with this aim in view, but in regard to Madeira embroideries it will fail in its purpose if the American selling price is to be the basis on which the duty is to be assessed, and instead of deriving as large or larger revenue than in former years the industry will be strangled and the revenue will be cut off and the Government will certainly be the loser, as well as the importers.

Respectfully submitted.

MADEIRA EMBROIDERY CO.,
LEACOCK & CO.,
NEW YORK FUNCHAL HAND EMBROIDERY CO.,
N. J. RICHMAN CO.

**STATEMENT OF THOMAS H. EDDY, REPRESENTING MARSHALL
FIELD & CO., CHICAGO—Resumed.**

Mr. EDDY. I want to correct the statement I made this morning. These figures require no correction, but merely application, and I have added a column indicating the percentage on the sales prices to cover business expenses and profits on the present importations.

To illustrate the first item of gloves, they land at \$17 per dozen, including \$2 duty under the act of 1913. The price, excluding duty, would be \$15 per dozen, including transportation charges, etc. To make the same percentage of profit which we are now making and cover our business expenses, 24 per cent, the duty would be $37\frac{1}{2}$ per cent upon the American selling price. It naturally follows that the \$15 must be the difference between the 24 plus $37\frac{1}{2}$ per cent, or $61\frac{1}{2}$ per cent, deducted from 100 per cent, which leaves $38\frac{1}{2}$ per cent. In other words, the \$15 is $38\frac{1}{2}$ per cent of the amount which would be assessable under a $37\frac{1}{2}$ duty, and 24 per cent would cover business

expenses and profits, original foreign cost and transportation charges. In figuring that out we find that the selling price obtained by that method is \$39. Thirty-seven and one-half per cent duty on \$39 is \$14.60. That would indicate the method adopted all the way through the statement. The statement of equivalent duties, the percentage equivalent to foreign cost stands good as I stated it this morning. With that explanation I will file this with the committee.

Senator McCUMBER. We will stand adjourned until to-morrow morning at 10.30, but there will be no tariff hearing to-morrow. We have a matter with the Secretary of the Treasury at that time.

(Thereupon, at 5.10 p. m., the committee adjourned, to meet again on Thursday, the 28th day of July, 1921, at 10.30 a. m.)

[Hearings on American Valuation were resumed Monday, August 1, 1921.]

Monday, August 1, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), Smoot, McCumber, Dillingham, Watson, McLean, La Follette, Curtis, Simmons, and Walsh.

The CHAIRMAN. The committee will come to order. The committee will continue the hearings of individuals who have applied to be heard on the question of American valuations. These hearings were interrupted during last week when the committee took up for consideration the foreign-debt bill. They will now be resumed, and I hope they will be finished by to-morrow. I hope the witnesses will cooperate with the committee in being brief, and the committee will, so far as is reasonable, refrain from asking questions and the witnesses will make their statements concise and to the point, bearing in mind that the committee is fairly familiar with this question now, and a mere repetition of argument is tiresome and not effective. The first witness on the list is Mr. J. M. Neenan, of Cleveland, Ohio, representing window-glass workers. Is Mr. Neenan present? [No response.] Is Mr. J. F. Zoller present?

Mr. ZOLLER. Yes, sir.

STATEMENT OF J. F. ZOLLER, REPRESENTING THE AMERICAN VALUATION ASSOCIATION, NEW YORK CITY.

The CHAIRMAN. Mr. Zoller, the committee has heard you frequently on previous occasions and would like to hear you with equal brevity now. You are an attorney in New York?

Mr. ZOLLER. Yes, sir.

The CHAIRMAN. You are not a manufacturer yourself?

Mr. ZOLLER. No, sir.

The CHAIRMAN. Whom do you represent?

Mr. ZOLLER. I represent the American Valuation Association.

The CHAIRMAN. When was that association formed?

Mr. ZOLLER. A very short time ago—two or three months ago.

The CHAIRMAN. That is another of these mushroom associations?

Mr. ZOLLER. It is composed entirely of manufacturers, sir.

The CHAIRMAN. How many members has it got?

Mr. ZOLLER. I have the list here, and to date it has something over a hundred members, all manufacturers.

The CHAIRMAN. Where are they located?

Mr. ZOLLER. They are located in different parts of the United States. I have the name and address of each one which I can submit or read.

The CHAIRMAN. Do they pay dues?

Mr. ZOLLER. The only qualification for becoming a member of this association is that they believe in the American valuation principle and will pay \$10 for the purpose of receiving literature.

The CHAIRMAN. Do they elect officers?

Mr. ZOLLER. They have a staff of officers. Mr. Camp, a manufacturer in Connecticut, is president; Mr. Dodge, of the toy manufacturers, is treasurer; a Philadelphia lawyer by the name of Williamson is secretary; and I am a member of the executive committee. I want to admit at the outset that if each of these individual members were called separately none of them could be considered as disinterested witnesses.

The CHAIRMAN. Have they ever held a meeting as an association?

Mr. ZOLLER. Yes, sir; several meetings.

The CHAIRMAN. When was their last meeting?

Mr. ZOLLER. The last meeting of the executive committee was about 30 days ago, I think.

The CHAIRMAN. Has the whole association ever held a meeting?

Mr. ZOLLER. Not all the members; no.

The CHAIRMAN. All right; go ahead.

Senator SIMMONS. The sole purpose of it is to promote this legislation?

Mr. ZOLLER. Yes, sir; but it is a defensive organization and was organized to refute much data which we believe to be erroneous, advanced by importers and others opposed to this American-valuation plan. I want to say that so far as I am concerned personally I have been a student of taxation for a number of years, and I have taken up this tariff work because of its assumed relation to taxation. I find, however, that there are many economic principles involved in this bill that are not involved in taxation, so I do not wish to qualify as a tariff expert before this committee.

In studying this matter I have prepared a table showing the valuation of foreign currencies both before the war—that is, July 1, 1914—and July 1, 1921, of Great Britain, France, Germany, and Japan. I will not read that table, because you are all familiar with the figures, but I submit it.

It shows, among other things, that on July 1, 1914, the German mark was worth in United States money \$0.238, but on July 1, 1921, the same German mark was worth in United States money only \$0.013; that in 1914 an ad valorem duty of 33½ per cent imposed upon the foreign value of a German article costing 150 marks would amount to \$11.90, but to-day, due to the depreciation of the German mark, the duty at the same rate would amount to much less than that.

Senator SIMMONS. How many more German marks would it take to buy the article in the German market?

Mr. ZOLLER. I am coming to that. In 1914 skilled laborers in Germany received about 8.7 marks per day, equivalent at that time to about \$2.09. That \$2.09 is an official figure taken from the bulletin entitled "Wages," prepared by the Ways and Means Committee and dated 1921. That converted into marks at the rate of exchange

in 1914 shows that laborers in Germany at that time received about 8.7 marks per day.

In January, 1920—I have not the figures for 1921—such skilled laborers received the equivalent of 73 cents per day, which amount if converted into marks at the rate of exchange prevailing on July 1, 1921, would mean about 56 marks per day, against 8.7 marks per day in 1914.

Other things being equal, it follows that an article costing 150 marks in 1914 would cost about seven times that amount, or 1,050 marks in 1912. One thousand and fifty marks in 1921 would be equivalent to about \$13.65. An ad valorem duty on this amount of 33½ per cent would amount to only \$4.55, as against \$11.90, the duty that would be collected at the same rate in 1914.

Senator SIMMONS. When this committee had under consideration the antidumping division of the emergency tariff we had here before us certain appraisers of recognized ability located in New York, and we had also a member of the Court of Customs Appeals. My recollection is that they told us that the German goods were invoiced now, measured in American money, at about what they were and a little bit more than they were before the war.

Mr. ZOLLER. I think that those statements have all been made in a general way.

Senator SIMMONS. They were made by appraisers who were appraising these goods before the war and who have been appraising them during 1920.

Mr. ZOLLER. The official figures we get in studying these things do not bring about that result.

Senator SIMMONS. And there was no division among them; they all agreed to that.

Mr. ZOLLER. The figures would appear to show that the duty to-day, notwithstanding the increase in German marks, would be less. We may differ on how much less, but I do not believe anybody who studies the subject carefully will fail to come to the conclusion that the duty to-day at the same rate, notwithstanding the increase in cost in marks, would be less than it was in 1914.

But there is another factor in the situation. Wages in Germany, measured in terms of United States money, have gone down materially since 1914. In 1914 skilled laborers in Germany received the equivalent of \$2.09 per day. That is an official figure. In January, 1920, they received the equivalent of about 73 cents per day—and that is an official figure—notwithstanding the fact that they received a much greater number of marks per day. In the United States, on the other hand, wages have materially advanced during the same period. This is shown by a table taken from that bulletin on page 74. I want to read from that table. In 1914 bricklayers in this country received \$5.59 per day. In 1920 they received \$9.60 per day. Laborers in 1914 received here \$2.50 per day. In 1920 they received \$5.58 per day. Carpenters in 1914 received \$4.33 per day.

The CHAIRMAN. What are you reading from?

Mr. ZOLLER. I am reading from page 74 of the official bulletin of the Ways and Means Committee entitled "Wages" and dated 1921.

The CHAIRMAN. Would it not be sufficient to make reference to that bulletin without reading it?

Mr. ZOLLER. Yes; I will refer to it and have the bulletin marked.

Senator LA FOLLETTE. Does that bulletin state the sources of the information?

Mr. ZOLLER. Yes; it is stated in it. The point I want to make is this, that between 1914 and 1921 wages, measured in United States money in Germany, have gone down more than one-half. In this country for the same period they have practically doubled. Therefore, it would seem to follow that instead of making the duty less, as we certainly would if we impose it upon the foreign value to-day at any reasonable rate, we ought to make it more to take care of this difference in labor cost between the United States and Germany to-day as compared with 1914.

Senator SIMMONS. When we had this matter up before I recall that Senator Smoot insisted very vigorously that the purchasing power of a German mark in Germany was very much more than its gold value, measured in our money—many times more.

Mr. ZOLLER. My evidence is that a German can ship goods in this country to-day—

Senator SIMMONS. What have you to say to that? Is that correct or not? Is the purchasing power of the German mark in Germany only 1 cent and 3 mills in gold, or is it many times that, as Senator Smoot, as I understood him, insisted it was?

Senator SMOOT. A mark is worth 1.3 cents in gold and the purchasing power for the labor in Germany was 4.6 cents, thus giving the German manufacturer an advantage at once of 300 per cent on the exchange alone.

Senator SIMMONS. In other words, you contend that the purchasing power of a German mark is 4.6 cents?

Senator SMOOT. Yes; that is the purchasing price of the mark to the laborer in Germany.

Senator SIMMONS. If it is, it must be the purchasing price of a mark in Germany?

Senator SMOOT. Yes; but it is not the purchasing price of the mark outside of Germany, and they come here and get our gold for it.

Senator WATSON. Could a nation have two values for different purposes; that is to say, one value of 1.3 per cent for foreign purposes and another value of 4.6 per cent for domestic purposes?

Senator SMOOT. That is not involved in this. In other words, the manufacturer gets his gold dollar for all the goods he imports to this country, and that is on the basis of 1.3 cents for a mark. When he gets that gold dollar, he can go in Germany and purchase three times the amount of labor or commodities that the laborer uses in Germany, and therefore he has three times the advantage over a laboring man in this country that is paid in gold.

Senator SIMMONS. But when you are ascertaining what the wage scale in a certain line of industry is, you must consider primarily the purchasing power in the market in which he buys his supplies.

Senator SMOOT. As far as the laborer is concerned in that country, but not as far as the manufacturer is concerned, if he gets a depreciated currency in exchange for the goods sold.

Mr. ZOLLER. The fact is that the German to-day can sell \$100 worth of goods in this country and take that \$100 and buy much more labor to-day in Germany with it than he could in 1914.

Senator McCUMBER. And he can buy other commodities also, can he not?

Mr. ZOLLER. I think he can.

Senator McCUMBER. In exchange the German buying American money would give in marks 1.3. In buying goods in Germany, while he would not get his original 24 cents, he, however, could buy 4 cents' worth, or about three and a half times as much.

Senator SIMMONS. Again, these gentlemen, the appraisers, who are actually collecting the tariff taxes in New York, told this committee, as I remember, that on the same articles quoted from Germany we are collecting more tax now than we did before the war.

Mr. ZOLLER. A number of general statements have been made that I have read in the record that notwithstanding—

Senator SIMMONS. These were not general statements; these were facts taken from the official records in the city of New York and were verified by the receipts in the Treasury Department.

Mr. ZOLLER. Senator, you can not collect more duty at the same rate to-day than you did in 1914 on the same amount of importations. That can not be done under the present system so far as Germany is concerned.

Senator SIMMONS. It can be done if the importations are valued as much now or more than they were then.

Mr. ZOLLER. They can not be.

Senator SIMMONS. But they were for the purpose of imposing these taxes.

Mr. ZOLLER. Then I would have to take issue with those witnesses.

Senator SIMMONS. I recommend that you read the record of the hearings at which Mr. Fix and Mr. Davis and De Vries spoke.

Senator CURTIS. May not that be explained by the fact that the evidence has shown that they have two values over there, one an exporting value and one a home value?

That would explain the difference between what they are getting in Germany for their goods and what we have to pay for them.

Senator SIMMONS. What we are interested in in this connection is the valuation upon which duties are actually paid, and they said that valuation in 1921 was higher than it was before the war.

Senator McLEAN. That was on a very few articles.

Senator WATSON. They did not make that as a sweeping statement.

Senator SIMMONS. I think they said that was the rule.

Senator SMOOT. And even for those articles if they wanted to cut the price they could do so by selling the goods at the home market price, but as long as they can get the price out of America they are going to try to make America pay it. But if the competition were keen enough they would not sell the goods at higher than the home market price; they would sell them lower if necessary in order to have the exportation.

Senator SIMMONS. I am not making an argument. I am simply calling attention to that statement of the officials of the Government. I will make the argument later.

Mr. ZOLLER. It seems to me that an ad valorem duty imposed in 1914 upon a foreign value at a rate adequate at that time would constitute no protection to-day against German importation. If we continue the levying of ad valorem duties upon foreign values we

must, in order to get adequate protection against German importation, make the rates so high as to constitute practically an embargo against those countries whose currency has not been much depreciated.

The CHAIRMAN. What are you reading from, Mr. Zoller?

Mr. ZOLLER. I am reading from my own brief.

The CHAIRMAN. Is that printed and circulated?

Mr. ZOLLER. It is printed.

The CHAIRMAN. Has it been printed for circulation among members of the committee?

Mr. ZOLLER. Yes, sir.

The CHAIRMAN. Can you not leave copies with us and let us read them? Seriously speaking, Mr. Zoller, if every person takes as long as you threaten to take to-day, we will never get through this bill. What is the purpose—you are a lawyer of great experience and ability—in reading to the committee something that is in print and is going to be placed in their hands?

Mr. ZOLLER. If the chairman please, this is a very important matter. There are only 11 printed pages.

The CHAIRMAN. You have taken half an hour now.

Mr. ZOLLER. That is because of the interruptions.

The CHAIRMAN. You have been interrupted, I know. You are as much interested as we are in expediting this work. It is bad enough to listen to extemporaneous statements from the principal himself who is making the product, but when it comes to having an attorney—he may be a Daniel Webster—reading a printed brief that is to be placed in the hands of the committee, it is a matter that has to have a pretty good reason advanced for it.

Mr. ZOLLER. All right; I would just as soon speak extemporaneously.

The CHAIRMAN. I know you can speak either way very effectively.

Mr. ZOLLER. I was doing that to make it briefer; that is all.

The CHAIRMAN. Can you not leave your brief with the committee and let it go at that? I want to hear your views, and I shall read your brief very carefully.

Mr. ZOLLER. Then I shall proceed, if you wish, extemporaneously.

The CHAIRMAN. Proceed in either way you desire, and make it brief, and we will read your article also. I have known you favorably for many years, Mr. Zoller, and I do not want to exhibit any suspicion of curtailment, but please bear in mind the troubles of the committee.

Mr. ZOLLER. I shall endeavor to do that, Mr. Chairman. I have endeavored in this presentation to weigh before the committee the advantages and disadvantages, and I wanted to present that in my own way if I could, not that I am advancing entirely original ideas, because not many ideas to-day are original anyhow, but I think I am presenting the matter in another way that might be of some service to the committee.

Senator SMOOT. Can you tell me why this organization was formed?

Mr. ZOLLER. It was formed because they believed in protection to American industry and that the American-valuation plan was the only practical way to bring it about. They wanted to make a careful study of it and understand it and get it adopted if they could.

Senator SMOOT. I was informed some time ago by a member of the association that it was organized for the purpose of combating propaganda that had been started by the importers.

Mr. ZOLLER. Of course, that is the real reason. It is a defensive proposition to that extent.

I think one important point about the American valuation is this—and I think it is important from the standpoint of the opposition as well as from that of the other side—and that is if we put this duty upon American valuation, then the duty itself will not fluctuate with the fluctuation of foreign currency. I believe if we put an adequate duty to-day upon foreign valuation it might become entirely inadequate if foreign currency should depreciate more; but I believe, on the other hand, it might become prohibitive if foreign currency should recover. I believe that the American-valuation plan results in two distinct advantages to the consumer which could not be obtained under foreign valuation. One of those advantages is that we get more duty from the low price country without placing a corresponding burden upon the American consumer. What I mean by that is this: Under the American-valuation plan, an article imported from China, for example, would be subjected to the same duty as a similar article coming from England, whose costs of production are much higher.

This securing of additional revenue from China and other countries whose production costs are low, is secured without imposing a corresponding burden upon the American consumer. The sale of the article from England in this case establishes the price to the American consumer. Imposing more duty upon a similar article from China does not increase that price, but it does reduce the profit of the Chinese merchant and makes it more comparable to the profit of the English merchant. Any tax law that equitably produces more revenue without imposing a corresponding burden upon the consumer is almost an ideal tax law. The American-valuation plan, therefore, is of material benefit to the consumer from this standpoint.

Another benefit which I see to the consumer under this law is that it will have a tendency to reduce retail prices by educating the American people as to wholesale prices and they will then have some conception as to what the retail prices ought to be.

Under this plan we can treat all foreign countries alike by imposing the same duty upon the same article regardless of the country from which it comes.

Above all, the American-valuation plan, I believe, would prevent, to a very great extent, undervaluation, and make it possible for the Government to collect substantially all the duty prescribed by law.

I say "to a very great extent." I think there will be some undervaluation, even under the American plan, but I think it will be negligible compared with the undervaluation that we have under the present plan.

I have in this brief an argument from an English economist in regard to undervaluation as taking place to-day. I quoted from him because I thought he might be unbiased, being an outsider looking on.

It has been my experience in taxation that whenever an ad valorem tax is imposed upon the value of property, whether it be a duty or some other tax, there is always a tendency toward undervaluation. I think this is evident time and again in the imposition of ad valorem taxes upon property by the different States.

The CHAIRMAN. Do not argue that.

Mr. ZOLLER. Then, I would like to take up the disadvantages. I think the great disadvantage that has been argued is that the American-valuation plan itself results in imposing more duty upon imported articles than would be the case if the duty were imposed upon foreign value. That, of course, we know is not the case. My understanding of the American-valuation plan is that the committee will first determine how much duty ought to be imposed against a certain foreign article and then fix the rate high or low enough to get that particular amount of duty, whether it is fixed upon the American or foreign valuation.

Another argument has been that the American-valuation plan will be difficult to determine. It is our view that it would not be so difficult to determine as the foreign value if we actually got the foreign value; and, while we admit that it might cost more to administer and determine the American value, we believe that it will be worth all its costs.

Another argument—and I want to be brief about this point—is that the importer will not know with any degree of accuracy the amount of duty until after the duty is paid.

In the first place, I think that any experienced business man, whether he be a manufacturer or a wholesaler, knows two things—the cost of his product and what he is going to get for it. But be that as it may, it seems to me that if you impose this duty upon foreign value to-day there is going to be grave uncertainty as to the amount of protection afforded under it, and the uncertainty of the importer in isolated cases will be negligible compared with the uncertainty as to the protection that we will get if this duty is imposed on foreign value instead of American value.

I want to argue one other point that has been urged against it. I believe it has been urged that the American valuation would permit the American producer to increase the duty by increasing the wholesale price here. That proposition has been stated in another way, that it would permit the American producer to actually write the rates in the bill. No one has ever suggested to our knowledge as an objection that under our present law the foreigner might reduce the duty against his American competitor by reducing the price upon which the duty was assessed, and therefore the foreigner instead of Congress actually write the rates in the tariff bill. And yet the foreigner is in a much better position to write the rates (if that is what it amounts to) under the present law than the American producer would ever be under the American-valuation plan. If the foreigner can in any way, under our present law, justify a lower valuation, or if he can get the duty imposed upon a lower valuation without justification, the result is directly beneficial to the foreign importer, because it reduces his duty and increases his profit.

If the American producer, on the other hand, attempts to raise the duty by increasing the selling price, thereby writing the rates of duty in the law—if that is what it amounts to—under the American-valuation plan, the result is directly disadvantageous to the American producer, because the rate of duty being always less than 100 per cent, he, by his own act, puts himself in a position to be at once undersold by his foreign competitor.

Now, the foregoing are the advantages and disadvantages. I have not gone into them to as great an extent as I might have done but

I have tried to be brief, and our conclusion is that while there are disadvantages, we think that the advantages far outweigh the disadvantages, and we believe with the Secretary of Commerce that if we are going to get adequate protection without having prohibitive duties against countries other than Germany, the American-valuation plan is the only alternative.

BRIEF OF J. F. ZOLLER, REPRESENTING AMERICAN VALUATION ASSOCIATION.

Mr. Chairman and gentlemen of the committee, I represent the American Valuation Association. This association is composed of manufacturers or manufacturing associations. I have a list of the membership to date, which I will file if the committee so desires.

We come here to say to this committee, not only that we are in favor of the American-valuation plan, but that we feel there is little hope, under present conditions, of industry securing adequate protection against all foreign countries unless the plan is adopted. In other words, we agree with Secretary Hoover "that with the unstable currency and exchange situation that we have in a large part of Europe to-day there is practically no other alternative."

DEPRECIATION OF FOREIGN CURRENCY.

In studying this matter we have prepared some figures showing the value of currency of Great Britain, France, Germany, and Japan both before the World War and at present. The table comprising these figures is herewith submitted:

Country.	Money unit.	Value in United States money, July 1, 1914.	Value in United States money, July 1, 1921.
Great Britain.....	Pound sterling.....	\$4.88	\$3.73
France.....	Franc.....	.194	.08
Germany.....	Mark.....	.238	.013
Japan.....	Yen.....	.501	.481

It shows among other things that on July 1, 1914, the German mark was worth in United States money \$0.238, but on July 1, 1921, the same German mark was worth in United States money only \$0.013; that in 1914 an ad valorem duty of 33½ per cent imposed upon the foreign value of a German article costing 150 marks would amount to \$11.90, but to-day, due to depreciation of the German mark, the duty at the same rate would amount to much less than that.

In 1914 skilled laborers in Germany received about 8.7 marks per day, equivalent at that time to about \$2.09. In January, 1920 (I have not the figures for 1921) such skilled laborers received the equivalent of 73 cents per day, which amount if converted into marks at the rate of exchange prevailing on July 1, 1921, would mean about 56 marks per day. Other things being equal, it follows that an article costing 150 marks in 1914 would cost about 7 times that amount, or 1,050 marks, in 1921. One thousand and fifty marks in 1921 would be equivalent to about \$13.65. An ad valorem duty on this amount at 33½ per cent would amount to only \$4.55 as against \$11.90, the duty that would be collected at the same rate in 1914. But there is another important factor in the situation. Wages in Germany, measured in terms of United States money, have gone down materially since 1914. In 1914 skilled laborers in Germany received the equivalent of \$2.09 per day. In January, 1920, they received the equivalent of only about 73 cents per day, notwithstanding the fact that they received a much greater number of marks per day. In the United States, on the other hand, wages have materially advanced during the same period. This is shown by the following table:

Employment.	1914	1920
Bricklayers.....per day..	\$5.59	\$9.60
Laborers.....do.....	2.50	5.58
Carpenters.....do.....	4.33	8.27
Painters.....do.....	4.16	8.33
Plasterers.....do.....	5.44	9.22

NOTE.—The figures used herein as regards wages here and in Germany are taken from pages 9, 22, and 74 of bulletin entitled "Wages," prepared for Ways and Means Committee of the House, dated 1921.

The ad valorem duty, therefore, instead of being made less than it was in 1914, as it certainly would be if imposed upon the foreign value to-day at any reasonable rate, should be made more because of the difference in labor costs between this country and Germany to-day as compared with 1914.

FOREIGN VALUE—EMBARGO.

From the foregoing it seems obvious that an ad valorem duty imposed in 1914 upon foreign value at a rate entirely adequate at that time would constitute practically no protection at all to-day against German importations.

If we continue the levying of ad valorem duties upon foreign value, we must, in order to get adequate protection against German importations, make the rate so high as to constitute practically an embargo against those countries whose currency has not been much depreciated. In any event protection against Germany to-day under our present system probably means a prohibitive duty against many of the other foreign countries.

AMERICAN-VALUATION PLAN.

If we can not impose ad valorem duties to-day as a practical matter upon foreign value and must impose ad valorem duties, then it would seem that the only alternative is to impose such duties upon the American value instead of the foreign value.

ADVANTAGES OF THE AMERICAN-VALUATION PLAN.

The American valuation plan has the following advantages:

1. If our ad valorem rates are applied upon the American value the duty will not fluctuate because of the fluctuation of foreign currency. This is very important, because if we should impose to-day an adequate ad valorem duty based upon foreign value, such duty automatically might become inadequate, due to further depreciation in the foreign currency, or it automatically might become prohibitive should the foreign currency recover.

2. The American-valuation plan would result in two distinct advantages to the American consumer, which advantages could not be attained if our ad valorem duties were imposed upon foreign value.

(a) It is a means of securing more revenue from those countries whose costs of production are low than would be secured if the duty were imposed upon foreign value. Under the American-valuation plan, an article imported from China, for example, would be subjected to the same duty as a similar article coming from England, whose costs of production are much higher. This securing of additional revenue from China and other countries whose production costs are low, is secured without imposing a corresponding burden upon the American consumer. The sale of the article from England in this case establishes the price to the American consumer. Imposing more duty upon a similar article from China does not increase that price, but it does reduce the profit of the Chinese merchant and makes it more comparable to the profit of the English merchant. Any tax law that equitably produces more revenue without imposing a corresponding burden upon the consumer is almost an ideal tax law. The American-valuation plan, therefore, is of material benefit to the consumer from this standpoint.

(b) The American-valuation plan tends to lower retail prices. At this time I think we will all agree that retail prices are high compared with wholesale prices, the prices of manufacturers and prices of raw materials. By imposing our ad valorem duties upon the American wholesale value we educate the American people as to wholesale values. If the people know the wholesale value they will have some conception of what the retail price ought to be. This will have a tendency to adjust retail prices to the benefit of the American consumer.

3. This plan will make it possible to treat all foreign countries alike by imposing the same duty upon the same article regardless of the country from which it comes. As it is now we discriminate against those countries having the higher production costs in favor of those countries having the lower production costs, so that to-day we discourage the establishment or maintenance of better living conditions abroad.

4. American valuation will prevent, to a very great extent, undervaluation and make it possible for the Government to collect substantially all the duty prescribed by law. There has been much controversy in regard to the extent of this undervaluation. In this connection, I ask permission to quote briefly from a book entitled "Tariff at Work," written by an English economist by the name of Higinson. He says:

"No importation of any merchandise exceeding \$100 in value is admitted to entry without the production of a duly certified invoice. Such invoices must, before ship-

ment of the goods, have been produced to the consular officer of the United States in the country from which the goods were shipped and indorsed with the declaration of the producer, manufacturer, owner, or agent, setting forth that the invoice is in all respects correct and true and giving the precise details as to the terms under which the goods are supplied and shipped. On arrival of the goods in the United States the declaration attached to the invoice must be made by the consignee, importer, or agent, or in certain cases by the manufacturers or owner. It will be seen that the regulations are so framed as to close every loophole of escape from the correct entry of the goods, yet on the part of those whose judgment is so valuable, a pronounced pessimism is prevalent as to the real effect of this safeguard. There is some suspicion that many of the invoices are either willfully fraudulent, or are posted by partners or clerks not sufficiently acquainted with the valuation of the goods. It is alleged indeed that many manufacturing firms and mercantile houses in Europe have junior partners who are purposely kept ignorant of the real facts with regard to the goods exported to the United States, so that they may testify on the invoices to the best of their knowledge and belief.

"With reference to the consular check on the invoice, it is regarded by high officials as a mere nominal one, in which the consul himself is deeply interested from the point of view of his own fee, making it of little or no value from the revenue standpoint."

Whenever an ad valorem tax is imposed upon the value of property, whether it be a duty or some other tax, there is always a tendency toward undervaluation. This is evidenced time and again in the imposition of ad valorem taxes upon property by the different States. As a result of this tendency toward undervaluation many States have practically abandoned any attempt to impose ad valorem taxes upon property other than real estate. This undervaluation can only be prevented by the assessing officer having absolute knowledge as to values. It seems obvious without argument that an assessing officer or appraiser of this country could be expected to have a better knowledge of values in this country where he resides than he could of values in a country where he had never been. It also seems obvious that he would have better and surer means of securing that knowledge here than he would abroad. We must remember in this connection that the people here are in sympathy with the enforcement of our laws; that we have jurisdiction to compel our own people to give testimony and furnish evidence needed for the enforcement of our laws. Abroad, on the other hand, the people are not necessarily in sympathy with the enforcement of our laws, especially our tariff laws, because such enforcement is detrimental to their interests. It would be to their advantage if our tariff laws broke down and were not enforced at all. More than this, we have no jurisdiction to compel these foreign peoples to give testimony and furnish evidence to enable us to enforce our laws against them.

5. Lastly, the American-valuation plan would make it unnecessary for this Government to carry on foreign inquisitions in an attempt to secure foreign values, inquiring abroad into the private affairs of citizens of foreign countries, much to their disgust and displeasure. Foreign countries resent these inquisitions and they have resulted in the past in no small amount of irritation upon the part of countries otherwise friendly toward us.

DISADVANTAGES URGED.

The foregoing are some of the advantages of the American-valuation plan over the foreign-valuation plan. We now desire to consider with you some of the disadvantages that have been urged against American valuation.

1. It has been contended, or at least intimated, by many people in the press and elsewhere that the American-valuation plan necessarily results in imposing more duty upon imported articles than would be the case if the duty were imposed upon foreign value. Some of the critics of the schedules in the pending bill have stated that the duty has been increased merely on account of the substitution of American value for foreign value. This reasoning is fallacious and misleading so far as the unsophisticated are concerned. These critics should address themselves to the rates and not to the base upon which these rates are applied and be made to understand that the same duty could be imposed upon the foreign value provided that could be ascertained with any degree of certainty under present conditions. And in order that the public may not be misled, it should be clearly stated that American valuation in itself does not mean more duty or less duty than we had before.

2. It has been suggested that the American value would be difficult to determine. It is our view that this value would not be so difficult to determine as the true foreign value if we actually got the true foreign value in all cases. If it costs more to administer our tariff law under the American-valuation plan than it does under the present make-shift plan which does not secure the true foreign value, it is our opinion that the proposed substitute will be worth much more to this country than it can possibly cost to administer it.

One Government expert, if we understand his testimony correctly, after emphasizing the difficulties in putting this plan in force, suggested as a substitute for it, a fictitious foreign value. This fictitious foreign value was to be determined by making certain deductions, some arbitrary and some not, from this same identical American value. This suggestion would seem to be an admission upon the part of this Government expert that the American value could be obtained at least for the purpose of determining his suggested fictitious foreign value. If it could be obtained for that purpose, it certainly could be obtained for the purposes of the pending bill. Therefore, we do not look upon this witness as one who believes it impracticable to attempt to ascertain the American value. It is our view that if this bill be enacted into law our Government officials without great difficulty will be able to adjust themselves to the changed conditions and will soon become much more familiar with American values than they have ever been with true foreign values.

3. It has been urged that if the ad valorem rates be applied upon the American value, the importer will be unable to determine with certainty in advance of payment of the duty the amount thereof. Is it not a fact that any experienced business man, be he a manufacturer or a wholesaler, knows at least two things to almost a certainty, namely: (a) The cost of his product, and (b) the selling price? He would not remain in business long if he did not know these things. If we impose this duty upon foreign value to-day there is bound to be grave uncertainty as to the amount of protection afforded American industry. So if we admit that there might be some uncertainty as to the exact amount of duty collectable in isolated cases, we submit that that uncertainty is negligible as compared to the uncertainty that would result if these duties are not imposed upon a permanent and substantial base.

4. Lastly, it has been urged that the American-valuation plan would result in permitting the American producer to increase the duty against his foreign competitor by increasing the wholesale selling price here. This proposition has been stated another way by saying that this plan would permit the American producer instead of Congress to write the tariff rates. This we think a novel objection. No one ever suggested, to our knowledge, as an objection that under our present law the foreigner might reduce the duty against his American competitor by reducing the price upon which the duty was assessed, and therefore the foreigner instead of Congress actually writes the rates in the tariff bill. And yet the foreigner is in a much better position to write the rates (if that is what it amounts to) under the present law, than the American producer would ever be under the American-valuation plan. If the foreigner can in any way, under our present law, justify a lower valuation, or if he can get the duty imposed upon a lower valuation without justification, the result is directly beneficial to the foreign importer, because it reduces his duty and increases his profit. If the American producer, on the other hand, attempts to raise the duty by increasing the selling price, thereby writing the rates of duty in the law (if that is what it amounts to) under the American-valuation plan, the result is directly disadvantageous to the American producer, because the rate of duty being always less than 100 per cent, he, by his own act, puts himself in a position to be at once undersold by his foreign competitor.

We have endeavored to weigh before you the advantages and disadvantages of the American valuation plan. We believe that there must be disadvantages, because there always are, but it is our sincere belief that the advantages far outweigh the disadvantages. If we are to have adequate protection for our industries and are to be put in a position in this country to maintain the usual standards of living for our American workers, without the imposition of prohibitive duties against some countries other than Germany, it seems to us, as it does to the honorable Secretary of Commerce, that the American valuation plan is the only alternative.

The CHAIRMAN. The committee will now hear Mr. Charles A. Bihler, of New York, representing the Allied Lace and Embroidery Manufacturers' Association.

STATEMENT OF CHARLES A. BIHLER, REPRESENTING THE ALLIED LACE AND EMBROIDERY MANUFACTURERS' ASSOCIATION OF NEW YORK.

The CHAIRMAN. Where do you reside, Mr. Bihler?

Mr. BIHLER. I reside in New York City, 51 Manhattan Avenue.

The CHAIRMAN. What is your occupation?

Mr. BIHLER. I am a manufacturer of laces and embroideries.

The CHAIRMAN. Where is your manufacturing concern?

Mr. BIHLER. In West New York, New Jersey.

The CHAIRMAN. Are you an importer also?

Mr. BIHLER. I am not an importer; no, sir.

The CHAIRMAN. Will you proceed now?

Mr. BIHLER. I also represent the Allied Lace and Embroidery Manufacturers' Association of New York, the United States Lace and Embroidery Manufacturers' Association of West New York, N. J., and I have also been authorized to address my remarks to the committee on behalf of the Millinery Braid Manufacturers' Association, the National Knitted Outerwear Association, and the Braid Manufacturers' Association of the United States, although I am not a member of the last three associations.

Senator WALSH. I think it would be well, Mr. Chairman, for witnesses who deal with several items in the schedule to immediately call our attention to the section in the House bill which they are discussing.

Senator WATSON. They are discussing the American valuation only.

Mr. BIHLER. I particularly refer in my remarks to the commodity that I manufacture. We urge the adoption of the American valuation because in the central European countries we have such chaotic condition in exchange rates that we believe we can not overcome them in any other way.

We find that to-day—and I will substantiate my statement by submitting samples afterwards—the prices in Germany on the commodities that I personally manufacture, are on the average about 30 per cent lower, measured in dollars, not in marks, than they were previous to the war. The labor costs over there in our particular line are about five to six times as much in marks as they were before the war, but the value of the mark is so low to-day that we are absolutely unable to compete, and I do not believe any such rate could be ascertained that would protect us or give us a chance to manufacture against the German or any of the central European countries that have low exchange rates, without cutting out other countries that have not such a depreciated currency.

Senator WATSON. Are those articles being imported from Germany now?

Mr. BIHLER. They are.

Senator WATSON. Are your factories closed?

Mr. BIHLER. We are about 15 per cent busy. That is about the average running force of the factories of this country in my commodity.

Senator WATSON. Do you attribute that to imports from Germany or to the general industrial condition in the United States?

Mr. BIHLER. I attribute it to both but largely to the low prices of goods from Germany.

The CHAIRMAN. Do the factories that are open run overtime?

Mr. BIHLER. No, sir.

The CHAIRMAN. What percentage of their capacity are they running?

Mr. BIHLER. I hardly think they exceed 20 per cent.

The CHAIRMAN. Have wages been reduced?

Mr. BIHLER. In this country?

The CHAIRMAN. Yes.

Mr. BIHLER. Not very much. We have not been able to reduce wages very much inasmuch as rent conditions are not going down.

Senator McLEAN. Do they not work a certain number of days in a week, and does not that result in a reduction of wages?

Mr. BIHLER. It does in a measure, but we pay proportionately more per hour than we did before.

Senator McLEAN. But you attain your object by running a few days in a week?

Mr. BIHLER. Yes, sir; somewhat. That does not, however, reduce our cost.

Senator McLEAN. It is a reduction to the employee?

Senator SMOOT. But not a reduction in the value of the goods.

Mr. BIHLER. It does not reduce our cost. Our overhead charges remain the same. The cost of labor is a little reduced.

Senator McCUMBER. If your overhead charges are the same and your labor is the same per hour, then, as a matter of fact, it must cost you more on the quantity you produce than you paid before.

Mr. BIHLER. Yes; on the smaller production it costs us more.

The CHAIRMAN. Is there any considerable amount of importation of these fabrics into this country now?

Mr. BIHLER. Yes; I have seen reports in trade papers that tremendous orders are being placed in Plauen, Germany.

The CHAIRMAN. But they have not got here yet? You just heard that orders are being placed?

Mr. BIHLER. I know they have been placed.

The CHAIRMAN. But there have not been any importations?

Mr. BIHLER. Yes; from Germany principally.

Senator LA FOLLETTE. How long have they been coming in.

Mr. BIHLER. They have been coming in for a year and a half now, but now they appear to come in in such a measure that we will not be able to sell against them.

Senator WATSON. What is the present tariff on those fabrics?

Mr. BIHLER. Sixty per cent and the proposed rate in the House bill to-day is $37\frac{1}{2}$ per cent. On what they term burned out laces, they made a rate of 45 per cent. Forty-five per cent figured back on the American valuation is about 82 and a fraction.

Senator WATSON. That is to say, if you did not have American valuation in order to protect your product, it would require $82\frac{1}{2}$ per cent?

Mr. BIHLER. It would make that rate about $82\frac{1}{2}$. If you consider that the importer probably adds 25 per cent for overhead cost, it would bring it up to about 93 per cent, but if you consider that the German commodity sells on the average about 30 per cent cheaper now than before the war—I am speaking of averages and not exceptions as have been submitted to this committee by some representatives of importers.

Senator SIMMONS. In fixing the rate on your goods we do not have to go by averages. It seems to me we have to go by the facts in those specific cases. We are not fixing an average duty; we are fixing a specific duty upon specific articles. You are here asking us to fix a specific duty upon your articles. We want to know the facts about the articles. I want to ask you this: To your knowledge have any of the articles that you produce and sell been recently imported into this country and sold in competition?

Mr. BIHLER. Yes, sir.

Senator SIMMONS. Do you know what those articles were invoiced at and upon what value they paid duty?

Mr. BIHLER. I do. I meant to reserve those for the argument on the tariff later.

Senator SIMMONS. That is a matter which is worth something to us. If you can give us those facts we would like to have them. What quantity of those things that you produce have been imported by Germany within a given time, in recent months, and what was the invoice price upon which they paid duty at the customhouse in this country, if you can give us those facts?

Mr. BIHLER. I can not submit it to you to-day, as I meant to reserve it for the argument on the proper paragraph of the bill. If you wish me to I will submit it with a brief.

Senator SIMMONS. I think it would be well to submit it.

Mr. BIHLER. I will, Senator.

The CHAIRMAN. He is only discussing valuation, to-day, Senator Simmons. He wants to reserve these other arguments when he addresses the committee on the duty.

Senator SIMMONS. That is what I am talking about; the valuation of these goods to-day at the customhouse in this country.

Mr. BIHLER. In comparison with the prewar conditions?

Senator SIMMONS. I do not care anything about comparisons.

Mr. BIHLER. You mean the home selling costs, or costs of production?

Senator SIMMONS. No; I want to know what is the invoice price of the goods that you manufacture when you have imported goods into this country from Germany in recent months.

Mr. BIHLER. Yes, sir. I have here a few instances where you can see the difference between the present time and the prewar time.

Senator SIMMONS. I can not look at it now. I am really too ill this morning to be asking questions. I am suffering from a bad cold.

Mr. BIHLER. These are the principal reasons why we are asking for American valuation, and particularly because the German price is not really a true selling price. They are subsidizing the industries and labor over there through selling food products at less than what they buy them for, through their Government. They are collecting less in freight rates than what it cost them to transport commodities, and the Government is footing the bill. So that the true value of those commodities would be entirely different from what is now given; and you can not, by basing a duty upon the foreign value, arrive at a correct collection of your duty as you mean to impose it in your law.

Another thing I want to state here is that we have in our line in particular (embroidery) for the past 20 or more years been allowing the importer, who is almost invariably a manufacturer in foreign countries, particularly in Switzerland, to bring his goods in here on a consignment basis, the price of which to us is built up upon a promulgated cost of production, which was calculated or prescribed by a special Treasury agent, mostly of foreign birth. It is admitted that these importation values were, as a rule, from 10 all the way to 40 per cent below selling value at which they were willing to sell those goods over in Switzerland.

I have seen some figures submitted to this committee by some customhouse expert or employee stating that the prices on cotton embroideries manufactured in America and sold in America and similar goods or like goods imported from Europe were almost alike. I do not know where he got his information, but I know, as a matter of fact, that when you come to embroideries, the domestic product is in spite of a 60 per cent rate, being sold to the consumer at an average of 30 to 40 per cent based upon the foreign valuation.

That means, in other words, that the foreign manufacturer would have to have a rate of between 30 and 40 per cent in order to compete with the American manufacturer on that class of embroideries.

And here is one particular instance where the American valuation reduces the price to the consumer. Of course, you do cut down the exorbitant and excessive profits that the importers to-day are collecting on these commodities.

Another reason for asking the American valuation is the tremendous difference in the labor cost that we have here as against the cost abroad. For instance, if you take the expert or skilled worker in Germany who, before the war, got 45 marks a week, to-day he is getting from 200 to 220 marks a week. That is about five times prewar price. You figure the 220 marks at 1.3 cents and you have \$2.86.

The same labor costs us \$45 in this country, and our time is eight hours a day, and over there they are very often, or in many instances, working 10 hours a day. So it goes all the way down the scale of the help necessary to produce this article.

I will later on, as Senator Simmons suggested, submit these figures with my brief.

Senator SIMMONS. Will you do this in addition to that? I assume that there are some other countries exporting the same thing to this country. What other country or countries? Does Great Britain export any of that product here?

Mr. BIHLER. I am particularly addressing myself to the committee on behalf of the commodity which we manufacture; that is, embroidery and embroidered lace.

Senator SIMMONS. Do we import that from anywhere except Germany?

Mr. BIHLER. We do import it from Switzerland as well, but we have never received any more than about 25 per cent of embroidered lace from Switzerland.

Senator SIMMONS. You do not import any from Great Britain?

Mr. BIHLER. Practically none.

Senator SIMMONS. When you furnish the statement that I asked you about a little while ago will you not also ascertain what this embroidery that you make is invoiced at when it comes from Switzerland?

Mr. BIHLER. Yes, sir.

Senator SIMMONS. As well as when it comes from Germany?

Mr. BIHLER. Yes, sir.

Senator SIMMONS. And if you find that it is coming in from any other country, show what it is invoiced at when it comes from that country.

Mr. BIHLER. We get some from Switzerland and some from France, but the principal importations are from Switzerland. We probably

get 75 per cent from Switzerland. In the embroidered lace it is reversed. We used to get, before the war, about 75 per cent of the embroidered lace from Germany and about 25 per cent from the rest of the countries, principally Switzerland.

Senator McCUMBER. Great Britain manufactures a great deal of embroidery. Why is it that she does not export any to the United States?

Mr. BIHLER. Their labor cost is too high as compared with that of the European countries and they can not compete.

Senator McCUMBER. In other words, in using the foreign valuation as the basis for our tariffs we have penalized those whose labor conditions more nearly approach those of the United States and have made our tariff so high that it is prohibitive?

Mr. BIHLER. Practically so. They can not operate as against the low-priced countries.

That is about all I can say on the subject. If you wish me to submit this brief before I come to the argument on the tariff, I will do so. Otherwise, I will submit it at the time I make my argument.

The CHAIRMAN. You would prefer to hold it, would you?

Mr. BIHLER. Not necessarily.

The CHAIRMAN. It will come in properly later on?

Mr. BIHLER. It will come in properly later on.

The CHAIRMAN. You may hold it until then.

Mr. BIHLER. Thank you, sir.

The CHAIRMAN. The committee will now hear Mr. William P. Clarke, of Boston, Mass., who has expressed a desire to submit his views to the committee.

STATEMENT OF WILLIAM P. CLARKE, INTERNATIONAL PRESIDENT AMERICAN FLINT GLASS WORKERS' UNION, TOLEDO, OHIO.

The CHAIRMAN. Mr. Clarke, whom do you represent?

Mr. CLARKE. I, Mr. Chairman, am the international president of the American Flint Glass Workers' Union, with headquarters in Toledo, rather than in Boston, as stated in the program.

The CHAIRMAN. You are put down as from Boston. I assume your letterhead or address was Boston when the schedule was made up. You reside in Toledo?

Mr. CLARKE. Toledo, Ohio; yes, sir.

The CHAIRMAN. That is the headquarters of your union, is it?

Mr. CLARKE. Yes, sir.

Senator SIMMONS. Mr. Chairman, I understood that there was something in the nature of a limitation upon these hearings upon American valuation?

The CHAIRMAN. It is hoped that we may get through to-day and to-morrow. I think it can be done.

Senator SIMMONS. In view of that fact, I want to suggest that in fairness to both views on this question the time ought to be divided between those who are here to speak against it and those who are here to speak in favor of it. If you call those who are here to speak for it, and close the hearings to-morrow night, there may be no opportunity for those who wish to speak against it to be heard.

The CHAIRMAN. Senator, I think with a little moderation upon the part of the members of the committee in asking questions and of

the witnesses in not being unduly prolix and reading from documents which are available, anyhow, we can get through very easily to-morrow.

Senator SIMMONS. I do not think the chairman can complain of the questions asked by the members of the committee this morning.

The CHAIRMAN. I do not complain of anything; I simply state that if we follow that course we can complete the hearings.

Senator SIMMONS. I do not know. There may be nobody here to speak against this proposition. It may be that manufacturers are here, and they generally, I assume, are for it, because I think it increases somewhat the protection they would otherwise get. But if there is anybody here against it I think they ought to have an opportunity to be heard within the two days.

The CHAIRMAN. I have a list here which you can see on the program, and I think they are all in favor of the American valuation. If there is any one whom the Senator desires to have invited here he can do it.

Senator WALSH. Mr. Chairman, I think the argument made here by so many of the witnesses, that the American valuation plan will increase the protection and make the rate of protection higher than that in this schedule, is so apparent that it ought not to be reiterated and reiterated by all these witnesses.

The CHAIRMAN. That is the trouble. The witnesses go over the same ground that was gone over last week.

Senator WALSH. We all know that it means more protection than that named in the rate.

Senator SMOOT. Providing the ad valorem rate is the same.

The CHAIRMAN. Now, Mr. Clarke, will you proceed? You are a glassworker yourself, originally?

Mr. CLARKE. Yes, sir.

The CHAIRMAN. All right; proceed.

Mr. CLARKE. Mr. Chairman and gentlemen, I have been following the glass trade since I was less than 10 years of age. I have been an officer of our organization for more than 18 years. I am now the international president, and I come here of my own volition to speak to you in behalf of our workers.

In those 18 years of experience I have found it necessary to counsel our men to decrease wages and increase their labor in order that they might get an opportunity to work at their trade. We have had to increase our production 100 per cent in some instances and decrease wages at the same time in order that our men would have an opportunity to work at the trade they have acquired.

During the war we were able to produce in this country a class of glassware that had not been produced here in the years previous, due, primarily, to the foreign product being deprived of an entry here. We have built up an industry, especially in the chemical branch, that is now standing practically idle because of the ruinous competition that is at least threatened from abroad.

Realizing the seriousness of this, our convention authorized me to make an investigation personally, and between the 17th day of October and the 13th day of March last I investigated the flint-glass industry in 12 foreign countries. I come here to-day, gentlemen, to say to you, in substance, that unless we at least get the American-

valuation plan, or even something better, there is no chance for the manufacturer engaged in the flint-glass industry of America and the workmen that he employs competing with the product of the men of Germany and Czechoslovakia, in particular, and perhaps Belgium.

I do not wish to tire you, but I would like to submit for the record a copy of a letter that I sent to Chairman Fordney, of the Ways and Means Committee. In his reply to that letter he inferred that under the American-valuation plan, on some articles, we would get as much as 160 per cent duty. But I know that 160 per cent duty will not protect us against Germany and Czechoslovakia, and I realize the significance of that statement.

(The letter referred to is as follows:)

Hon. JOSEPH W. FORDNEY,

Chairman of the Ways and Means Committee,

House of Representatives, Washington, D. C.

SANDUSKY, OHIO, July 15, 1921.

MY DEAR MR. FORDNEY: I am in receipt of your communication of the 11th, which is in continuation of the correspondence that has passed between us on the subject of protection to American workmen and American industries, and as I read your definition of the American valuation plan as proposed by your committee, and which is now before the House of Congress for disposition, I can not help but say to you that in the judgment of the American Flint Glass Workers' Union it does not give the protection that is absolutely necessary to the flint-glass industry, and we say this for the following reasons:

1. This Government does not owe every man a living, but the representatives of this Government have a moral obligation making it mandatory on them to exercise every honorable effort to the end that all our citizens will be accorded an opportunity to obtain employment, so that they may honestly and faithfully provide a decent living for themselves and those depending upon them, but if the proposed tariff bill is enacted into law in its present form, then that part of the citizenship of the United States that depends upon the flint-glass industry for a livelihood will be thrown into idleness, and flint glassware will be supplied to our markets by the manufacturers and workers of Czechoslovakia, Germany, and Belgium.

2. After our country became involved in the World War, the opportunity to secure chemical and similar glassware, which had been previously imported from Europe, was destroyed, and it was then that the representatives of our Nation called upon the officers and representatives of the American Flint Glass Workers' Union and the manufacturers engaged in the flint-glass industry to so arrange their affairs that this class of goods, which was absolutely essential for the furtherance of our interests in scientific research, the making of ammunition and the one thousand and one other scientific experiments that were necessary, which ultimately meant the winning of the war, to come to the assistance of the Government in its dire distress, to the end that these goods could be produced in America. We were then assured that if these additional sacrifices were made that at the termination of the war the money and the energy expended would be guarded and protected, but if the present tariff bill is enacted in its present form, that promise will not be made good and we will find ourselves in a worse position than we were previous to the war, when practically all this class of ware was produced in Europe and imported to America.

3. We did not only agree to support the Government in this respect but we likewise sent 17 per cent of the flower of the manhood of our organization to foreign shores to further the interest of these United States in that terrible conflict. Those men spilled their blood on the battle fields of Europe, where it was dried by the sun and washed by the rains, and their bones bleached by the elements of time, and now are their fellowcraftsmen going to be required to reduce their wages, increase their hours of labor, and still be denied the right of an opportunity to produce the glassware that is to be used in America, and this product which should be produced by American workmen imported from abroad?

4. There is no man in or out of Congress who can successfully contend that the average yearly income of the members of the American Flint Glass Workers' Union has reached a figure that justifies a decrease in their average earnings, for be it under-

stood that their average earnings have not exceeded \$1,751 per annum, and it has never reached this amount in the 43 years of our existence save once, and we can not consider this amount a living wage when the statistics presented by our Cabinet officials provide that the average family composed of father, mother, and three children should have an annual income in excess of \$2,000.

5. Perhaps some of our Democratic brethren will contend that there has been an exorbitant profit made in this industry, and if they do, then the representatives of the American Flint Glass Workers' Union in convention assembled in Sandusky, Ohio, to-day declare that it is the obligated duty of the Democrats as well as the Republicans to insist upon a thorough investigation being made as to the profits that have been acquired by the employers in this industry, and if the crime of profiteering has been practiced on the American people, then make these facts known to all the people, and in that way give to the workers the opportunity of showing where they have been deprived of a fair return for their labor, which return is not sufficient to support an American family and accord them the things that the members of our present Cabinet contend they are entitled to. However, it is the opinion of the workmen in this industry that exorbitant profits have not been made, yet in order to allay distrust we beseech you to propose an investigation into this phase of the subject.

6. The men employed in the flint-glass industry are skilled workmen; in fact, they are artists. It requires years to acquire this art and we challenge successful contradiction to the statement that those artists have not received a living wage; they have not retarded production, but, on the contrary, we are prepared to prove that between the years 1916 and 1920 in place of decreasing production we increased our production better than 12 per cent, and this statement will stand the most thorough investigation that any committee representing the House of Congress may see fit to make. And if this be true, then what justification can the House of Congress present for the enactment of a law that will fail to give to us that protection that was promised and which is absolutely necessary in order that the members of our organization will have an opportunity to follow their calling?

7. The subject of imported glassware to America has resulted in a hardship being practiced upon the American workmen, and it is high time that the fallacy of the policy pursued should be exposed. The glassware that has been used to ornament our Capitol in Washington and to decorate and used for service in the White House and used on our ships that ply the oceans was, until very recently, imported from abroad, when we have the very best skilled workmen that can be found the world over in the United States of America, and this is not the first time that this phase of the subject has been brought to the attention of the committee over which you have the honor to preside. This subject has been of such importance in the years gone by that on three different occasions we found it necessary to make an investigation of conditions abroad, and a recent investigation was made by the writer of this communication, and I now declare that the present proposed legislation will not give protection to our industry against the product of the manufacturers and workers engaged in the flint-glass industry of Germany, Czechoslovakia, and perhaps Belgium, for be it remembered that the value of the money of these Governments is so low that under your plan the people of Czechoslovakia and Germany can place their glassware on our shores for a price approximating only 50 per cent of the wholesale price of similar articles produced in America, thereby depriving both manufacturers and workers engaged in this industry of an opportunity to compete with them.

8. While in England, Belgium, Germany and Czechoslovakia during the months of November, December and January last, I was advised by manufacturers and importers that even though we increased our tariff rate 100 per cent, foreigners could place their product in these United States at a lower cost than we could manufacture similar ware, and if this be permitted to the degree contemplated, it will demonstrate that our representatives in Congress either do not wish or else lack the ability to meet this grave problem.

This subject is of such tremendous importance that I have hurriedly drafted this communication, which shall be presented to the delegates of our convention, which is now in session, for their indorsement, and I shall urge that it be given to the public press as an open letter and I stand ready to defend every statement contained in this document at any time or place, providing the date will not interfere with my duties and present engagements.

Let those who assail the workers of these United States question our motives in secret; let those who declare that men appealing for an opportunity to labor are bolshevists when they are discussing our hopes and our aims when we are not represented, and while I am not authorized to speak for labor as a whole, I am authorized and do speak for the members of the American Flint Glass Workers' Union, and stand ready to defend every principle enumerated in this document and in the name of working

men who fought to defend the principles of this Government, I call on you for that protection that will enable our workers to secure an opportunity to work and receive in return a living wage.

Respectfully, yours,

WILLIAM P. CLARKE,
President American Flint Glass Workers' Union.

P. S.—The foregoing was read to the delegates comprising the forty-fifth convention of the American Flint Glass Workers' Union held this day and was indorsed by unanimous vote.—Clarke.

I would ask you to bear with me while I read one letter—it is very brief—which will give my view on that particular phase of the subject, and I will hand it to the reporter for the record. It is addressed to Mr. A. H. Heisey, Marlborough-Blenheim Hotel, Atlantic City, N. J., and it says:

DEAR MR. HEISEY: I read with interest the letter you handed me yesterday, and after giving some thought to the subject of tariff I deem it wise to reduce my views of the general proposition to writing in order that you may have an opportunity to understand the situation as it presents itself to me, hence I ask that you read what follows with care:

To demonstrate that the present tariff bill, if applied as interpreted by the Hon. Joseph W. Fordney, chairman of the Ways and Means Committee, in a letter he wrote me July 11, 1921, will not give the flint-glass industry the necessary protection, I present the following example:

First. The workmen in Germany are paid 30 marks for the making of 100 inside and 100 outside pint thermos bottles. The theoretical value of these 30 marks is \$7.14, while the actual value of exchange in American money is but 46 cents.

May I inject there that I placed my valuation on the German mark in harmony with what I paid for it while I was in Germany in January.

Second. The workmen in America are paid \$2.41 for the making of 100 inside and 100 outside pint thermos bottles.

Third. Now recall that the wage paid the German workman is worth only 46 cents as compared with the \$2.41 paid to the American workman.

Fourth. It is proposed that when articles similar to those made in America are imported from Germany then, in order to determine the amount of duty to be assessed on the imported articles, the appraiser ascertain the wholesale price of similar articles in the American markets.

Fifth. Let us say, for the sake of argument, that the American wholesale price would be \$2.41 for the 100 bottles. Now, if the tariff rate would be 40 per cent, then this would mean a duty of 96 cents; hence it follows that there would be 96 cents tax added to the real foreign price of 46 cents, which would bring the comparative value of the imported article to \$1.42, as compared with the American price of \$2.41.

Sixth. It will be understood that the figures of 46 cents and \$2.41 are comparative prices paid to the skilled laborer, but it must be borne in mind that when you include the cost of materials, unskilled laborer, etc., the difference grows greater as the value of the item increases, this being accounted for because the German mark is worth but 6½ cents on the dollar.

Seventh. The only cost that can be added to the German-made article that will contribute toward an equalization of the price in our markets is for package and freight.

Eighth. From this example it must be apparent that the industry is to suffer unless we obtain more protection or a definition of the law different to that given by Chairman Fordney.

Sincerely, yours,

WILLIAM P. CLARKE,
President American Flint Glass Workers' Union.

We found it necessary to make an investigation previous to the war, and this investigation was made by the actual workmen who were lying in idleness. The words that I give you now are the words of the men—not their officers—who went out and made the investigation.

Senator WATSON. Why go into that? What is the difference what the situation was before the war?

Mr. CLARKE. Because, Senator, I want to show how deplorable it was then and add the statement to that that it is worse now.

The CHAIRMAN. We admit it.

Senator WATSON. That is enough. I do not think you need to go into a long statement showing the conditions in Germany.

Mr. CLARKE. It is just a paragraph, which reads as follows:

After making inquiries from the different importers we found that the information thus gained through the importers materially assisted us in comparing the cost or the buying price as compared with the price on record in the customhouse. After feeling we had about struck the proper key to bring about the desired relief, inasmuch as we were prepared to show our Government that the price at which these goods are being invoiced into the country, namely, 24 to 30 cents per dozen on the shallow dome and 30 to 34 cents on the regular dome, the said invoice charge would not pay for the material that goes into the shade, as in a shade weighing from 20 to 29 ounces the glass alone would cost from 3½ to 4 cents. Now, when we realize that these shades are being sent into this country at a valuation of 2 to 2½ cents each, you will agree with your committee that we thought our Government officials could not but insist that these goods be invoiced at a higher figure.

Senator WATSON. That had reference to the time before the war?

Mr. CLARKE. Yes, sir.

In other words, the glass in a shade alone, without including the cost of making the finished article, would be worth 4 cents, while they were laid down in New York at a valuation of 2½ cents each imported from Germany, and no labor cost is included in these figures.

I say to you, without fear of successful contradiction, that the situation as it confronts the flint-glass industry on that same line of ware, in so far as Germany and Czechoslovakia are concerned, is infinitely worse than portrayed in that paragraph, due primarily to the low value of exchange.

I do not want to take up too much of the time of the committee, but while I was in Germany Mr. Vincent Krebbs, the head of a glass concern there, told me that he had that morning refused an order for 50,000,000 electric bulbs for America, and the reason for the refusal was that they were not able to supply the demand in their own country. Otherwise, that ware would be coming into this country.

The CHAIRMAN. Have wages gone down in your trade?

Mr. CLARKE. We are now in conference with the employers in Atlantic City, and I left that conference because I felt that this meeting was of more importance to the men that I represent. Just last week, Senator, we proposed a reduction in wages to the manufacturers of thermos bottles. Since then we have proposed reductions on other classes. The manufacturers have rejected them because they felt that the reduction that we proposed was not sufficient to meet the situation.

Senator McCUMBER. They have not been reduced yet, then?

Mr. CLARKE. They have not been reduced yet, sir. We adjourned in two of the departments vitally affected without an agreement, because we could not agree upon what point the workers should be required to go to.

Senator WALSH. How substantial a reduction do the employers suggest?

Mr. CLARKE. Anywhere from 20 to 33½ per cent. We offered in one instance 12 and in another instance 15.

The CHAIRMAN. How many men are employed in this industry?

Mr. CLARKE. I represent only the skilled workmen, and we have 10,000 skilled workmen, and for each skilled workman we suggest that there are at least six other workmen employed.

The CHAIRMAN. Then your wages are still on the war level?

Mr. CLARKE. Yes, sir; our agreement does not expire until the 4th of September.

Senator McLEAN. Are you working on full time?

Mr. CLARKE. We have practically no one working in the thermos-bottle branch of the trade and the chemical branch. In the other branches we have about 63 per cent of our men working a division of time and the other 37 per cent idle.

Senator WALSH. What is the percentage of the whole trade, everything included? You said certain branches were doing no work at all. What percentage of those branches?

Mr. CLARKE. I would say 20 per cent.

Senator WATSON. You make chemicals, too, do you?

Mr. CLARKE. No, sir; just glassware.

Senator WATSON. Chemical glassware?

Mr. CLARKE. Yes, sir.

Senator WATSON. You are in danger from Japan as well as from Germany?

Mr. CLARKE. Absolutely so.

Senator WATSON. Is your factory closed, with these men out of work in these particular branches, because of imports from Germany or from other countries?

Mr. CLARKE. The ware is coming in from Germany, Czechoslovakia, and Japan as well as from Belgium, and our plants are closed—I will not say altogether because of this imported ware, but the fear of the employers and the purchasers that if they operate and create a stock, the other countries will be able to sell their ware here and leave them with the stock on their hands.

Senator WATSON. The price reduction in Germany, under present conditions, is lower than that in any other country?

Mr. CLARKE. No, sir; Czechoslovakia is a little bit lower. It is about on a par, however.

Senator WATSON. How does it compare with Japanese production?

Mr. CLARKE. I have considered the Japanese situation for better than a year, but I believe it is practically as bad. Our workmen work on a piecework basis. We work on an unlimited production. We do not retard production; and during the war I am prepared to prove that we increased our production better than 12 per cent. So the charge that the trade-union movement is retarding production can not be substantiated in its application to the flint-glass industry.

Senator McCUMBER. Can you tell us what the earnings of the skilled workmen are under this piece character of work?

Mr. CLARKE. I am glad that you asked that question, Senator.

Up until one year ago the highest average wage of the men employed in this industry was \$30.43 a week, figuring 50 weeks to the year. Within the past year it has increased to \$35.02, figuring on the same basis; and that is the highest figure in a period of 43 years.

Senator WALSH. The average for skilled and unskilled?

Mr. CLARKE. That is skilled alone.

I will be glad to answer any question that you wish to propound to me, or at least, try to answer it.

Senator WALSH. How many of these industries are there in the country?

Mr. CLARKE. I would say about 130.

Senator McLEAN. You are more deeply interested in a revision of the tariff than you are in a revision of the tax laws?

Mr. CLARKE. Yes; we are interested in a revision of the tariff. It has appeared to me that by the revision of our tariff we will never be able to bring it to a figure sufficiently high to protect our industry, and I wanted to add my views to try to save the American-valuation plan at least.

The CHAIRMAN. Is that all, Mr. Clarke?

Mr. CLARKE. Mr. Chairman, it may be of interest to you to say that while I was in London I had a representative of the Czechoslovakia importing corporation say to me that if we increased our tariff 100 per cent they would lay glassware down in this country cheaper than we could produce it.

I had them say to me in Prague that regardless of what we did toward increasing our tariff they would place glassware here cheaper than the American manufacturer could put it in our own market.

I think it is about time that the American Government should contribute to aiding in redeeming the pledges made to the employees and the workers in this industry. When we went into the war you could not get glassware in this country. Representatives of the Government went to us and came to me as the president of the workers and came to the employers and beseeched us to aid them. We did so. In New Jersey in particular there were at least 10 factories erected, and those factories as a whole are almost idle to-day because the pledges which they gave us have not been kept. They agreed that when the war was over they would protect the American workman and the American manufacturer who invested his money in this enterprise, but they have not done it.

We do not believe that the importers should be protected and their interests furthered to put upon the American market the product of foreign workmen when men of American birth are required to walk our streets in idleness. In many instances these men are seeking the necessities of life from charitable organizations and kindred associations.

Senator WATSON. Have you ever figured out what rate would be necessary to add to protect your product from German imports, aside from American valuation?

Mr. CLARKE. I have not; but I want to bring home this point to you—and I may say, incidentally, that I just got word last night at 5 o'clock that I was to appear before this committee, and I have not had time to prepare as I would have liked to prepare—if you will take into consideration that with $6\frac{1}{2}$ American cents you can buy a dollar's worth of product in Germany, and more than a dollar's worth in Czechoslovakia, and then add the tariff that is proposed, which will be 40 per cent on the American valuation, and say it is a dollar; add that 40 to the $6\frac{1}{2}$, and you have got $46\frac{1}{2}$ cents. That is compared with an American dollar's worth of product in America. The only thing that will increase that $46\frac{1}{2}$ cents toward the dollar is the cost of package and the cost of freight. The last time that

I testified before the Tariff Commission evidence was produced there to show that from Antwerp they could ship to New York glassware for 18 cents a hundred, and from Pittsburgh to New York the same rate prevailed. So we will gain nothing there.

Now, take Belgium to Seattle. The rate was 35 cents a hundred. From Pittsburgh to Seattle it was 90 cents a hundred. So we lose out on our own freight rates, and it is impossible to gain anything in this direction.

It may be of interest to you to know that the American Federation of Labor in 1917 adopted a resolution, a copy of which I wish to give to the secretary, but I want to read just the substance of it, that this convention go on record in favor of a policy of industrial preparedness, and that such preparedness be in harmony with the standards of labor as recognized by the American Federation of Labor, and the enactment of laws by Congress that will adequately protect all wage earners of our country against the loss of employment through any industrial invasion on the part of the product of any of the other nations.

That is the declaration of the American Federation of Labor.

The CHAIRMAN. Mr. Frederic E. Kip, of Montclair, N. J., requested a hearing. I see he is present. We will hear you now, Mr. Kip.

STATEMENT OF FREDERIC E. KIP, MONTCLAIR, N. J., REPRESENTING THE PILE FABRIC MANUFACTURERS OF THE UNITED STATES.

The CHAIRMAN. Will you state the line of manufacturing business that you are in, Mr. Kip?

Mr. KIP. I am in the pile-fabric manufacturing business. I represent the Pile Fabric Manufacturers of the United States. We make pile fabrics, velvets, plushes, fabric furs, etc., in fact, all fabrics having their face or pile extending vertically from the back of the woven fabric.

For the pile or face we use all known textile raw materials, namely, wool, worsted, mohair, alpaca, jute, silk (of all kinds, namely, raw silk, thrown silk, spun or schappe silk, artificial silk), and cotton.

As we use for the face or pile of our fabrics all known textile materials, our fabrics are made in four of the large industrial foreign countries—Germany, France, England, and Japan.

We are strongly of the opinion that on our product the adoption of the American valuation is an imperative necessity. You can readily conceive under foreign valuation of the detriment to labor and the chaotic conditions that would result from production in countries having exchange depreciated to the following extent.

Then I have prepared a table showing the rates as of July 27, taking Russia, Germany, Italy, France, and Great Britain, showing the normal exchange, depreciated exchange, and the percentage of depreciation.

The percentage of depreciation for Russia is 99.8 per cent; of Germany, 95 per cent; Italy, 78 per cent; France, 60 per cent; and Great Britain, 27 per cent.

At rates of exchange such as these there can be no force to the argument of importers that the adoption of the plan of American valuation would be prohibitive against an importation from foreign productive industrial countries.

Senator WATSON. You import some, also, do you not, Mr. Kip?

Mr. KIP. We do, yes, Senator. We could import a great deal more if we chose to do so.

It is conceded that for the 20 years prior to the war Germany made more industrial progress than any country in the world, the United States not excepted.

When I was in Germany in October, 1920, the wages of the highest grade mechanics in the entire Rhine Valley were 280 to 300 marks a week, and I am informed that they are the same to-day.

Senator McCUMBER. That is, the German workman receives only the same number of paper marks now that he received before for a week's work?

Mr. KIP. No, sir. A skilled mechanic before the war used to receive from 50 to 60 marks. That was a large wage at that time.

Senator WATSON. The 24-cent mark?

Mr. KIP. Twenty-four cents on the mark would be from 12 to 15 dollars. Now he receives 280 to 300 marks a week, which is about five times his former wage.

Senator McCUMBER. In other words, what would it be in American money right now?

Mr. KIP. I will give you that. At the present rate of exchange this would represent a wage of only about \$3.60 to \$3.70 weekly, as against \$40 to \$50 per week paid for the same grade of work in the United States.

Senator McCUMBER. And how much paid for the same grade of work in Germany prior to the war?

Mr. KIP. Fifty to 60 marks.

Senator WATSON. \$12 to \$15 a week?

Mr. KIP. Yes; \$12 to \$15 per week.

Senator WATSON. And on a gold basis the German workman is receiving very much less than he did before the war?

Mr. KIP. About one-fourth. In other words, before the war a first-class mechanic in Germany earned \$12 to \$15 per week (50 to 60 marks at 24 cents per mark), whereas to-day in Germany he earns \$3.60 to \$3.70 per week (280 to 300 marks at 0.0125 per mark). That is easily ascertained by anybody who wants to find it out. It is public knowledge. I know this of my own knowledge because I was there.

If I do not bore you I will give you a little experience that I had in Germany, a little later.

Under such conditions no duty that would be imposed by the United States, even on the plan of American valuation, would debar imports from a country like Germany; and in cases where Germany has the raw materials available in her own country it is apparent that even a duty of 200 per cent would not prevent her obtaining the market in the United States to whatever extent she elected.

What has been said of Germany is even more true of Russia in regard to the things which she is best fitted to produce. In my opinion, within two years of the restoration of more stable conditions Russia will be able with her depreciated exchange (under foreign valuation basis for duties) to land wheat in the United States at 50 to 60 cents per bushel, which would be less than the labor cost alone to the American farmer. That this would be detrimental, if not ruinous, to the American wheat grower is obvious.

In the present chaotic state of foreign exchange it must be apparent that there must be some basis for American duties which will not result in great and constant fluctuations. The American valuation plan would keep the rates of duties stable, despite changes in the exchange rates, and would equalize to a considerable extent the differences existing between foreign and American costs. As the rates of exchange become more normal the changes in valuations would automatically operate to keep the duties equalized and stable. In our opinion, therefore, the adoption of the American valuation plan would be doing what can be done by our Government to prevent nonemployment of productive American operatives and ruinous conditions for our American farmers.

We are convinced that not only will such a plan not debar importations, particularly from such countries as Germany, but, on the contrary, that within a few months from the establishment of peace the importations will be even larger than in the years preceding the war.

We therefore strongly urge the adoption of the American valuation plan as a necessary and imperative part of the measures which should be taken to meet these abnormal conditions.

As a convenient basis of information showing the percentages of depreciation I submit a table of exchange rates, including a number of countries not previously mentioned, giving the extent of depreciation of all the countries, Austria, Rumania, Spain, etc.

Exchange rates as of July 27, 1921.

	Normal value.	Present value.	Extent of depreciation.
	<i>Cents.</i>	<i>Cents.</i>	<i>Per cent.</i>
Greece.....drachma.....	19.3	5.56	71
Russia.....ruble.....	51.46	.0014	99½
Poland.....mark.....	23.80	.055	99½
Austria.....crown.....	20.26	.12	99½
Hungary.....do.....	20.30	.28	97½
Jugoslavia.....do.....	20.30	.60	97
Czechoslovakia.....do.....	20.26	1.28	93½
Finland.....mark.....	19.80	1.56	91½
Rumania.....leu.....	19.30	1.30	93½
Spain.....peseta.....	19.30	12.70	34½

Senator McLEAN. How many men are employed by the interests which you represent, Mr. Kip?

Mr. KIP. I should think about forty to fifty thousand, taking them all told—maybe not as much as that; thirty-five to forty thousand.

Senator McLEAN. What is the effect of existing competition upon your interests to-day? How are you running? What is the condition?

Mr. KIP. We are running fairly well to-day, for the reason that Germany, who is our main competitor, has not gotten on her feet, but there is a great hesitancy about any forward contracts, realizing the conditions which will come about by the depreciated exchange. I do not think people realize how important and how detrimental that is going to be to labor. For instance, I went into Germany with an automobile. I had a chauffeur and four people with me. I changed \$35 and I got over 3,000 marks. I thought I was going to be there a week, and, as I had a bank account there, I said, "I will take \$100,"

for which I got nearly 7,000 marks. Then a mark was depreciated only about 1.40. Now it is 1.21. We lived there about a week, and when we were about to leave I gave back 3,700 marks. Our whole expenses for the week were not over \$60; and they drank wine, those that wished to, and had other things.

I thank you, gentlemen.

The CHAIRMAN. The next witness is Mr. Walter S. Hilborn. I understand, for the information of the committee, that he will be the last witness to be heard to-day.

STATEMENT OF WALTER S. HILBORN, NEW YORK, N. Y., REPRESENTING THE NOVELTY JEWELERS' TARIFF ASSOCIATION.

Mr. HILBORN. I represent a group of importers of novelty jewelry, consisting of 24 in number, who were formed last winter at the time we were discussing the emergency tariff, and who then protested against the then depreciated-currency feature of the bill and submitted evidence to your committee that even though the value of the foreign currency had depreciated, the cost of the foreign article measured in American money had appreciated to a greater extent.

I now appear on their behalf to oppose the American valuation feature of the present tariff bill.

The CHAIRMAN. Are you in the toy business?

Mr. HILBORN. No, sir; I am an attorney, and the people whom I represent are entirely importers of novelty jewelry.

When they appeared before the Ways and Means Committee in the discussion of this act they stated quite frankly that they believed that a rate should be carried in the act which would adequately protect the American manufacturer, but they believed that that rate should not be too high to exclude novelty jewelry which set a style and a standard for American manufacturers.

At the hearings before the Ways and Means Committee the American manufacturers asked for an 85 per cent duty based upon the foreign valuation. The main objection that the importers have to the American valuation feature is the uncertainty which will result in their purchases abroad. The duty will be appraised upon the American selling price at the date of exportation. The articles which they purchase are largely noncomparable items, so that at the time of the purchase they will not be able to determine what the cost of the article will be, landed in New York; and, as one of them said to me on Saturday, "We will have to get samples, send the samples to the United States, have them appraised, and then determine whether it is possible for us to make the purchase, and then we may not know that the American selling price at the new date of exportation will be the same as at the time of the exportation of the original sample; so that our articles, bought from six to eight months prior to sale in the United States, will be upon a basis where we will be unable to determine the American selling price."

I have endeavored to compute with some degree of success to my own mind just exactly a comparison between the old and the new rates based upon this American valuation theory.

The rate carried on novelty jewelry under the old act was 60 per cent. The rate carried by this act is 55 per cent. If the balance of the American selling price, 45 per cent, is all applied to the foreign

cost, then you will have a duty of \$55 on every \$100 worth of goods sold in the United States; \$45 of the hundred to be used in purchasing abroad. Fifty-five is 122 per cent of 45, so that a rate of duty where the American manufacturer asks for only 85 per cent is at the minimum increased to 122 per cent.

To carry the table a little further, if you take the least overhead which the importers say is needed, which is a minimum of 25 per cent of the selling price, and add 55 per cent for duty, it makes 80 per cent. That leaves it 20 per cent of the American selling price which is available for payment to the foreigner, and 55 is 275 per cent of 20. So that the necessary result of American valuation as applied to the importation of novelty jewelry is to increase the duty from 60 per cent to 275 per cent.

I have prepared a table which can be used on almost any rate of duty and on any overhead, so that it will be possible practically to compute what the rate of duty will be based upon the American valuation theory, giving any allowance that the committee might see fit for overhead. But it is quite demonstrable that if 25 per cent is the overhead a 75 per cent duty is absolutely prohibitive of importation, because there is nothing left to be paid the foreigner. For each decrease of 1 per cent in the rate of duty it is possible to pay the foreigner 1 per cent more for the article.

I was talking to a gentleman who was considering embroideries. Thirty-seven and one-half per cent is the new rate of duty based upon an American valuation, and 25 per cent allowed for overhead makes the rate of duty 100 per cent on the American valuation as opposed to 60 per cent carried by the present act.

Senator McCUMBER. Your objection, mainly, is to the amount of the tariff rather than the principle?

Mr. HILBORN. Our objection is as to the uncertainty which will result from the American valuation theory, because it is impossible to determine at the date of purchase what the selling price is going to be—that is, the wholesale selling price at the date of exportation. So that the importer is unable to determine when he makes his purchase what his landed cost is going to be.

Senator McCUMBER. But the other feature might be a reduction?

Mr. HILBORN. It might be a reduction; but the uncertainty and the pyramiding which will necessarily result are objectionable. As you reach a new selling price based upon the increased duty, a duty on the new increased selling price will make a higher duty, necessitating an increased selling price for each subsequent importation, until finally you will reach a point where the duty does not affect the price.

But I have figured out, based upon the present cost of \$1.80, that, with a 25 per cent overhead and the present duty of 60 per cent, the article can be sold for \$3.84. If you take a 55 per cent duty based upon the American valuation, that makes a duty of approximately \$2.08 to be added to the \$1.80, and you get \$3.88, plus 25 per cent. Gradually, by the increased selling price, due to the increased duty, each new selling price gives an increased duty, in order that the importer may continue his business, until finally you get a stabilized price, but an article that can now be sold for \$4 will have to be sold for \$9 by the wholesaler in order to stabilize his business.

The main objection to the American valuation feature is the uncertainty which will result in the conduct of the importing business. The other feature, the question of the rate of duty, of course, is a subsequent consideration. If the other advantages of American valuation outweigh the disadvantage of uncertainty, then subsequently we desire to be heard upon the rate of duty.

The CHAIRMAN. Is that all?

Mr. HILBORN. I desire to submit a brief to-morrow, if I may.

The CHAIRMAN. You may submit it.

BRIEF OF WALTER S. HILBORN, REPRESENTING THE NOVELTY JEWELERS' TARIFF ASSOCIATION.

The Novelty Jewelers' Tariff Association desires to protest against the so-called American valuation feature of the Fordney tariff bill which is contained in section 402 thereof, and submits this brief in opposition thereto.

The argument herein made with reference to novelty jewelry carrying a 60 per cent tariff, can likewise be made for imitation pearls and beads, and this memorandum is filed on behalf of the importers of these commodities as well as on behalf of the importers of novelty jewelry.

The present tariff on novelty jewelry is 60 per cent ad valorem. The rate carried by the Fordney Act is 55 per cent ad valorem, based, however, upon the American selling price.

This leaves but 45 per cent of the American wholesale selling price to cover foreign cost, freight, insurance, landing charges, interest on invested capital, expense of doing business, income, excess profit tax and allowance for loss due to the point of unsaleable commodities and the fair return by way of profit to the importer.

MINIMUM DUTY CARRIED BY FORDNEY TARIFF ACT, 122 PER CENT OF COST.

If the entire 45 per cent left after the payment of duty were used in payment for the imported article, we would get 122 per cent as the minimum rate of duty based upon the foreign cost, 45 per cent of the selling price. Out of every \$100 of American selling price, \$55 would be paid to the Government of the United States by way of duty, and no more than \$45 could be paid to the foreign manufacturer. The rate of duty on the article on this hypothesis, instead of a present duty of 60 per cent, would be $\frac{45}{55}$, or 122 per cent, although the American manufacturers asked only for an increase to 85 per cent. One hundred and twenty-two per cent would be the minimum rate of duty on jewelry carried by the new act, so that what is an apparent reduction of the rate of duty from 60 to 55 per cent is not a reduction, but an increase from 60 per cent to at least 122 per cent.

This business can not stand a doubling of the rate of duty, and this mere statement of the effect of the American valuation feature of the Fordney tariff bill should demonstrate beyond any argument that the duty on jewelry carried by this act will be not a revenue producer but rather it will cause an absolute prohibition of imports.

As much of the 45 per cent will be absorbed otherwise than in foreign cost, the rate of duty, however, based upon the foreign cost will necessarily be more than 122 per cent, which itself would be prohibitive, and more than is required by the American manufacturers of jewelry, who in their argument before the House committee only requested a tariff of 85 per cent.

EFFECT ON AMERICAN WHOLESALE PRICE.

Not only is the minimum increase of the rate of duty startling and prohibitive but its necessary effect upon the American selling price of such articles as might be imported is almost beyond imagination. So startling is the comparison between the present selling price of an article of novelty jewelry and the ultimate effect of the American valuation feature of the Fordney tariff act on said price that it should itself be the best argument against the American valuation feature, unless, perchance, the sole purpose of this feature of the act is an absolute prohibition of imports.

This statement will be based upon an article now costing \$1.80 per dozen f. o. b. place of purchase. This is a common price for an article of novelty jewelry. This carries a tariff at the present time of 60 per cent, to wit, \$1.08 on the \$1.80. This makes the cost of the article plus the duty \$2.88. To this must be added a gross profit

sufficient to cover freight, insurance, landing charges, interest on invested capital, expense of doing business, taxes, allowance for losses, and a fair return by way of profit to the importer. In order to be moderate and beyond the realm of contradictory argument, we will take one-third of the landed cost (although much more is now required), which is equivalent to 25 per cent of the selling price in each case. One-third of our landed cost of \$2.88 is 96 cents, which added to \$2.88 makes \$3.84 as the necessary minimum wholesale selling price of an article costing \$1.80 per dozen f. o. b. point of purchase.

THE EFFECT OF THE AMERICAN VALUATION FEATURE UPON THIS ARTICLE OF
NOVELTY JEWELRY.

The probable ultimate effect of the American valuation feature will be an increase in the wholesale selling price of this article from \$3.84 to \$9. The American selling price of the article under consideration at date of exportation is, as we have seen, \$3.84; 55 per cent of this selling price, the duty carried by the Fordney act, is \$2.11, making the cost of the article \$1.80, plus the duty, \$2.11, \$3.91. Add one-third of the cost to cover the additional charges set forth above, we get a necessary wholesale selling price of \$5.21.

But we have not stopped with the effect of the new tariff act. The chain is almost, but not quite, endless. We have now established a new wholesale selling price of \$5.21, upon which the duty of 55 per cent must now be figured. This duty would now be \$2.87; added to the foreign cost makes the cost of the article plus the duty \$4.67; adding the same overhead of one-third or \$1.56, makes a new selling price of \$6.23.

We have now established a new selling price of \$6.23, upon which the duty according to the terms of the new act, must be based. Fifty-five per cent of \$6.23 is \$3.43, added to the cost of \$1.80 is \$5.23, add on the same, one-third for overhead, etc., give the necessary new American selling price of \$6.97.

The wholesale price would progressively increase as follows:

Cost.....	1. 80
Duty (55 per cent of new selling price, \$6.97).....	3. 83
Cost plus duty.....	5. 63
Gross profit, one-third of \$5.63.....	1. 88
New wholesale price.....	7. 71
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$7.71).....	4. 24
Cost plus duty.....	6. 04
Gross profit, one-third of \$6.04.....	2. 01
New wholesale price.....	8. 05
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.05).....	4. 43
Cost plus duty.....	6. 23
Gross profit, one-third of \$6.23.....	2. 08
New wholesale price.....	8. 31
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.31).....	4. 57
Cost plus duty.....	6. 37
Gross profit, one-third of \$6.37.....	2. 12
New wholesale price.....	8. 49

Next increase:	
Cost.....	\$1. 80
Duty (55 per cent of new selling price, \$8.49).....	4. 67
Cost plus duty.....	6. 47
Gross profit, one-third of \$6.47.....	2. 16
New wholesale price.....	8. 63
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.63).....	4. 75
Cost plus duty.....	6. 55
Gross profit, one-third of \$6.55.....	2. 18
New wholesale price.....	8. 73
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.73).....	4. 80
Cost plus duty.....	6. 60
Gross profit, one-third of \$6.60.....	2. 20
New wholesale price.....	8. 80
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.80).....	4. 84
Cost plus duty.....	6. 64
Gross profit, one-third of \$6.64.....	2. 21
New wholesale price.....	8. 85
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.85).....	4. 87
Cost plus duty.....	6. 67
Gross profit, one-third of \$6.67.....	2. 22
New wholesale price.....	8. 89
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.89).....	4. 90
Cost plus duty.....	6. 70
Gross profit, one-third of \$6.70.....	2. 23
New wholesale price.....	8. 93
Next increase:	
Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.93).....	4. 91
Cost plus duty.....	6. 71
Gross profit, one-third of \$6.71.....	2. 24
New wholesale price.....	8. 95

Next increase:

Cost.....	\$1. 80
Duty (55 per cent of new selling price, \$8.95).....	4. 92

Cost plus duty.....	6. 72
Gross profit, one-third of \$6.72.....	2. 24

New wholesale price.....	8. 96
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Next increase:

Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.96).....	4. 93

Cost plus duty.....	6. 73
Gross profit, one-third of \$6.73.....	2. 24

New wholesale price.....	8. 97
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Next increase:

Cost.....	1. 80
Duty (55 per cent of new selling price, \$8.97).....	4. 93

Cost plus duty.....	6. 73
Gross profit, one-third of \$6.73.....	2. 24

New wholesale price.....	8. 97
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The new permanent established selling price is \$8.97. We have thus reached the point where the duty will no longer affect the selling price and where the ultimate effect of the duty is disclosed. In other words, the effect of the 55 per cent duty based upon American selling price, other costs being stabilized, is to increase the necessary American selling price of an article costing \$1.80 from \$3.84 to \$8.97.

It is inconceivable that an article formerly sold at wholesale in the United States for \$3.84 per dozen can be sold for \$8.97 per dozen, and, therefore, importation will be prohibited, and the American valuation feature of the Fordney Tariff Act has brought about, so far as novelty jewelry is concerned, not increased revenue for the American Treasury, but it has completely stopped importation.

RATE OF DUTY OF THE NEW ACT COMPARED TO THE PRESENT DUTY.

The present rate of duty is 60 per cent. The foregoing statement has shown that the ultimate effect of the Fordney Act will be to charge a duty of 55 per cent of \$8.97, or \$4.93 on an article costing \$1.80, an increase of duty from \$1.08 to \$4.93, from 60 per cent to 275 per cent of the foreign cost.

This statement should be sufficient to demonstrate the impossibility of effecting any increase in revenue through this act, which will necessarily prohibit all further importation, especially when you consider that the American manufacturers have requested only an increase in duty from 60 to 85 per cent.

THE GENERAL EFFECT OF THE AMERICAN VALUATION FEATURE.

We have attempted to construct a table of figures from which it can be determined what the approximate ultimate selling price must necessarily be if the American valuation feature of the Fordney Act goes into effect.

The purpose of this table and of the principle underlying it is twofold. First, it makes it possible to compare the old rate of duty carried by the present act with the rates of duty carried by the Fordney Tariff Act; and, second, it makes it possible to determine the approximate necessary American selling price established to cover the cost of the article and the duty and the cost of selling.

In the computation the American selling price is computed at 100 per cent. In the computation we have allowed the importer as a gross profit to cover freight, insurance, landing charges, interest on invested capital, expenses of doing business, taxes, allowance for loss due to the import of unsalable commodities, commercial losses, and a fair return by way of profit of 33½ per cent of the cost plus the duty. This is equivalent to 25 per cent of the selling price. In other words, if the cost plus the duty is 75 per cent of the selling price, 33½ per cent thereof is 25 per cent of the gross selling price.

Accordingly, from the total selling price of 100 per cent is first deducted 25 per cent of the gross selling price to cover gross profit. The balance of 75 per cent covers the cost f. o. b. point of purchase, plus the duty. In other words, if an article is free of duty, an importer can afford to pay 75 per cent of the American wholesale selling price for the article f. o. b. point of purchase, and the balance of 25 per cent of the American selling price will cover his additional costs and his profit. If the duty is 1 per cent, there remains but 74 per cent of the American selling price which is applicable to the foreign cost, and for each increase in rate of duty of 1 per cent of the American selling price there must be a corresponding decrease of 1 per cent of that selling price which is applicable to the foreign cost. Apply this principle to novelty jewelry and we have this division of the selling price: Twenty-five per cent applicable to expense of doing business, 55 per cent tariff, leaving 20 per cent of the American selling price which is applicable to cost. One dollar and eighty cents, the cost of our article, taken as an illustration, is 20 per cent of the necessary American selling price, which would be, according to this computation, \$9. In the earlier part of this memorandum we have seen how the necessary American selling price would reach \$8.97, which is approximately \$9, as shown by the table.

Similarly, the rate of duty based on the foreign cost can likewise be computed. Of the selling price, 25 per cent is gross profit, 55 per cent is duty, 20 per cent is left for foreign cost; 55 is 275 per cent of 20. So that the rate of duty based on foreign cost can be computed by comparing the percentage of selling price applicable to duty to the percentage of selling price applicable to cost.

We have given a table based upon gross profits of 15 per cent, 25 per cent, and 35 per cent of the wholesale selling price, which would show a distribution between that portion of the American selling price which will be payable as duty and that portion which can be paid for the imported article.

If we take the overhead of 25 per cent, our table would be constructed as follows:

Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—
0	75	19	56	38	37	57	18
1	74	20	55	39	36	58	17
2	73	21	54	40	35	59	16
3	72	22	53	41	34	60	15
4	71	23	52	42	33	61	14
5	70	24	51	43	32	62	13
6	69	25	50	44	31	63	12
7	68	26	49	45	30	64	11
8	67	27	48	46	29	65	10
9	66	28	47	47	28	66	9
10	65	29	46	48	27	67	8
11	64	30	45	49	26	68	7
12	63	31	44	50	25	69	6
13	62	32	43	51	24	70	5
14	61	33	42	52	23	71	4
15	60	34	41	53	22	72	3
16	59	35	40	54	21	73	2
17	58	36	39	55	20	74	1
18	57	37	38	56	19	75	0

Where the rate of duty is 75 per cent, the article can no longer be imported, because the duty of 75 per cent plus the gross profit required of 25 per cent absorbs the entire selling price and leaves no portion thereof applicable for payment to the foreign manufacturer.

Taking this table, let us see what the article costing \$1.80 could be sold for.

Turning to that part of the table which gives a rate of duty of 55 per cent, we see that there is left to be applicable to the cost of the commodity 20 per cent of the total American selling price, so that \$1.80 is at the maximum 20 per cent of the American selling price. One dollar and eighty cents is 20 per cent of \$9, from which it would follow that an article of which the American selling price was \$9, could cost the importer no more than \$1.80, and the wholesale price would be five times the foreign cost of the article, whereas, at the present time, the selling price based upon the same calculation would be \$3.84. It is unnecessary to argue that

upon this calculation, and with this price of \$9 wholesale, the article which was formerly sold for \$3.84 could not possibly be sold.

In the same manner, the duty of 55 per cent of the American selling price is 275 per cent of the foreign cost of 20 per cent of the selling price. This same calculation can be reached from the table for any rate of duty.

We have constructed additional tables because the committee may feel that an overhead of 25 per cent is too much, or would prove to be too much when the tariff loading is considered. Accordingly, the table has been constructed with only a 15 per cent allowance of gross profit, which in no event can be considered excessive. Based upon an overhead of 15 per cent of the selling price, we find that there is applicable for the cost of the commodity, 30 per cent of the American wholesale selling price. One dollar and eighty cents is 30 per cent of \$6, so that an article costing \$1.80 could be sold in the United States for not less than \$6 as against the present selling price of \$3.84.

Referring to the 15 per cent table again, if the duty is 55 per cent, an article which cost \$30 f. o. b. point of purchase, must be sold in the United States for \$100 and the duty will be \$55 on a foreign cost of \$30, or 183 per cent of the foreign cost compared to 60 per cent under the present act. In the same way, for each rate of duty, there can be determined the approximate American selling price of the article, and in the same way the rate of duty based upon the foreign selling price.

If the constant overhead taken for gross profit is 15 per cent, then the duty and the amount payable for the imported article will be distributed as follows:

Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—
0	85	22	63	44	41	66	19
1	84	23	62	45	40	67	18
2	83	24	61	46	39	68	17
3	82	25	60	47	38	69	16
4	81	26	59	48	37	70	15
5	80	27	58	49	36	71	14
6	79	28	57	50	35	72	13
7	78	29	56	51	34	73	12
8	77	30	55	52	33	74	11
9	76	31	54	53	32	75	10
10	75	32	53	54	31	76	9
11	74	33	52	55	30	77	8
12	73	34	51	56	29	78	7
13	72	35	50	57	28	79	6
14	71	36	49	58	27	80	5
15	70	37	48	59	26	81	4
16	69	38	47	60	25	82	3
17	68	39	46	61	24	83	2
18	67	40	45	62	23	84	1
19	66	41	44	63	22	85	0
20	65	42	43	64	21		
21	64	43	42	65	20		

From this table, it will be seen that when the rate of duty becomes 85 per cent, it becomes impossible to import goods; the duty plus the overhead absorbs all of the selling price, leaving no part of the selling price which can be appropriated for the cost of the article.

If 35 per cent is taken for the gross profit, then our table would be constructed as follows:

Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—	Where the rate of duty is (per cent of wholesale selling price)—	The amount which can be paid for the foreign article is (per cent of wholesale selling price)—
0	65	17	48	34	31	50	15
1	64	18	47	35	30	51	14
2	63	19	46	36	29	52	13
3	62	20	45	37	28	53	12
4	61	21	44	38	27	54	11
5	60	22	43	39	26	55	10
6	59	23	42	40	25	56	9
7	58	24	41	41	24	57	8
8	57	25	40	42	23	58	7
9	56	26	39	43	22	59	6
10	55	27	38	44	21	60	5
11	54	28	37	45	20	61	4
12	53	29	36	46	19	62	3
13	52	30	35	47	18	63	2
14	51	31	34	48	17	64	1
15	50	32	33	49	16	65	0
16	49	33	32				

Where the rate of duty is 65 per cent, the article can no longer be imported.

EFFECT OF FORDNEY TARIFF ACT.

It can be seen from an inspection of these tables what the effect of the Fordney Tariff Act will be upon any importation. It multiplies the cost to such an extent that the importation of any article bearing a substantial rate of duty will be impossible. The association believes that consideration of tables of this sort will demonstrate the futility of expecting that there will be any substantial importation of any articles carrying a substantial rate of duty.

It is submitted, therefore, that either the American valuation feature should be abandoned, or in the alternative, that the rate of duty based upon the American selling price should be reduced to a point where the duty bears approximately the same proportion of the foreign cost as is borne by the present act.

Respectfully submitted.

Lippman, Spier & Hahn; D. Lisner & Co.; Cohen & Rosenberger; Samstag & Hilder Bros.; A. Steinhardt & Bro.; Ben Flesenthal & Co. (Inc.); Royal Jewelry Manufacturing Co.; Wm. E. Flory & Co.; Fred & Ben Lewenthal Co.; M. Guggenheim (Inc.); W. Reichart & Co.; Emerich & Schorsch; Jules Schwab & Co.; L. Mendelson & Co.; Lewy & Co.; Guthman, Solomons Co.; H. Wolf & Co.; L. Heller & Son (Inc.); Wertheimer, Plehn & Levy (Inc.); F. Hoffman & Co.; A. Miltenberg & Co.; Wiener Bros.; Friedman Co.; M. Goldberg Sons.

STATEMENT OF ALPHEUS WINTER, REPRESENTING THE MANUFACTURERS' ASSOCIATION OF BRIDGEPORT, CONN.

The CHAIRMAN. Mr. Winter, you may proceed. What industry do you represent?

Mr. WINTER. I represent the Manufacturers' Association of Bridgeport, Conn., as general manager.

The CHAIRMAN. Are you a manufacturer yourself?

Mr. WINTER. I am not.

The CHAIRMAN. What is your business?

Mr. WINTER. I am general manager of that association.

The CHAIRMAN. Proceed.

Mr. WINTER. I wish to submit formally a petition, a copy of which has been sent to each committee member, signed by 66 out of 92 of our members.

That petition, as submitted, was placed in the hands of each of our members for consideration, accompanied by a bulletin transmitting it, copy of which I will submit. At the bottom is the authorization for their names to be signed. That shows the method and the fact that 66 out of 92 signed voluntarily. Four members opposed it, three by telephone and one by letter—Bullard Machine Tool Co., Raybestos Co., La Resista Corset Co., and Nichols Underwear Corporation. I would like to read the letter to give the type.

The CHAIRMAN. All right.

Mr. WINTER. This is from the Bullard Machine Tool Co.:

Noting your circular No. 1592 relative to American valuation, we are not directly interested, but from all information we can gather upon the subject we believe that the foreign valuation is preferable to any American valuation, and we are therefore opposed to American valuation.

Senator McCUMBER. The four that you say opposed—were they importers as well as manufacturers?

Mr. WINTER. The Bullard Machine Tool Co. were not interested as a manufacturer. The other three were manufacturers interested from that viewpoint.

I want to point out that these 66 members, as will largely appear from the names, represent a diversified interest, all kinds of manufacturers, and represent, I believe, a fair percentage of our State, and, I think, of our Nation—the diversified manufacturing interests—as to how they stand upon this question of American valuation.

As I have heard the testimony there seems to be a question largely between the manufacturer and the importer. I want to emphasize in that connection the worker.

Bridgeport to-day is at a very low ebb industrially. We are below 50 per cent normal. The factories have the appearance of complete emptiness a large part of the week, because three days a week is perhaps the average now working.

Senator WATSON. Is not that partly due to the fact that you manufactured war materials on a very large scale, perhaps more so than any other city of its size in the United States, and that that has ceased?

Mr. WINTER. Only to an extent, but that is also true. I do not want to maintain that our wheels are not going to turn and that we are not coming back, but it is, I believe, the fair consensus of opinion in Bridgeport and of Bridgeport industries that American valuation will be helpful; that the unemployment will be in Germany and other nations and not in Bridgeport if we can have not only American valuation but other relief. We are not pessimists. We believe we are going to continue business, but we would rather have the unemployment on the other side of the water than in Bridgeport, and that is one of the steps that we believe would help, if we could get a good stable valuation in this country.

Senator McCUMBER. You believe it would stabilize the valuation?

Mr. WINTER. We believe so.

In that connection I think that a classification should be accomplished somewhat similar to that, say, of the official classification of the railroads. That is, a valuation committee could fix a price, a fair, representative price that would be close enough for rough justice, so that every manufacturer and every importer would know what he was going to pay on the article imported.

Senator McCUMBER. That is, that the Government itself should proclaim the price for a definite period ahead?

Mr. WINTER. Until changed by a supplement or reissue similar to the railroads. The Official Classification is not a bulky thing. It is perhaps twice as big as that [illustrating], and yet it contains practically everything that is imported to-day, because all imports move over our railroads. A stable American price could be set opposite the articles—perhaps not in every instance. Perhaps appraisers are necessary in certain cases, but it could be done, and, I believe, more easily than we could go abroad and ascertain the prices there in the various nations with the various and different financial arrangements.

I thank you, gentlemen.

(The papers referred to are as follows:)

PETITION.

We, the undersigned members of the Manufacturers' Association of Bridgeport, Conn., respectfully petition that American valuation be adopted for levying ad valorem import duties for the reasons hereinafter set forth.

First. The existing foreign valuation basis has always been a prolific cause of inaccuracies.

These unintentional inaccuracies result in discriminatory situations which can be eliminated to a considerable extent by adoption of an American valuation basis.

Second. The existing foreign valuation basis has subjected imported duties to gross manipulation.

These intentional frauds result in loss of revenue to the United States and unfair competition which the American valuation method would materially reduce.

Third. The existing foreign valuation basis results in unequal import duties on like goods.

Under the present abnormal and fluctuating foreign exchange the only practical method for imposing equal customs duties upon like articles is by the application of an American valuation.

Fourth. The existing foreign valuation basis forces this Government to violate its obligation to admit the goods of certain friendly countries on equal terms.

The present chaotic condition in exchange values means that the same article from England, France, and Germany would not be assessed a like import tax, measured in dollars and cents.

Fifth. The existing foreign valuation basis makes the United States, with its economic stability, the natural dumping ground for the products of foreign countries having depreciated currencies.

Application of American valuation would to a large degree wipe out the present customs duty inequalities by requiring like imports to pay the same dollars and cents tax.

Sixth. The existing foreign valuation basis emphasizes the present discrepancies, in cases like Germany, where industry is subsidized by the Government.

In this case a percentage ad valorem tax based on foreign values falls even farther short of effecting reasonable equality, a situation that could be vastly improved by the adoption of American valuation.

Finally, continuation of the existing foreign valuation basis means not merely the depression of all, but the absolute extermination of certain industries.

American valuation is at present an essential measure for self-preservation; without it the factories of our city, State, and Nation will become a sacrifice to foreign competitors, and a nonproducing class. Furthermore, an inestimable number of our

citizens, both employers and employed, will suffer the hardships which necessarily follow the partial or complete stoppage of the wheels of industry.

Respectfully submitted.

Acme Shear Co., D. C. Wheeler, president; Aluminum Manufacturers (Inc.), S. K. Becker, works manager; American & British Manufacturing Co., J. C. Stanley, president; American Chain Co., W. B. Lashar, president; American Fabrics Co., H. A. Phillips, general manager; American Tube & Stamping Co., E. C. Mayo, president; Max Ams Machine Co., J. F. Brenzinger, general manager; Anderson Die & Machine Co., N. H. Anderson, general manager; Automatic Machine Co., Norman Leeds, treasurer; Baird Machine Co., C. L. Warner, president; The Bassick Co., W. R. Bassick, general manager; Bilton Machine Tool Co., C. E. Bilton, president; Black Rock Manufacturing Co., G. L. Hammond, president; Bridgeport Brass Co., G. P. Miller, treasurer; Bridgeport Chain Co., C. W. Pinches, treasurer; Bridgeport Coach Lace Co., H. B. Narnmore, secretary; Bridgeport Cutter Works, H. F. Noyes, president; Bridgeport Deox. Bronze & Metal Co., R. D. Whipple, president; Bridgeport Die & Machine Co., J. W. Ogden, president; Bridgeport Hardware Manufacturing Corporation, W. F. Hobbs, president; Bridgeport Metal Goods Manufacturing Co., A. S. Lyhne, president; Bridgeport Motor Co. (Inc.), H. H. Brautigam, secretary; Bridgeport Piston Ring Co., W. J. Perry, president; Bridgeport Rolling Mills (Inc.), A. C. Raffauf, treasurer; Bridgeport Safety Emery Wheel Co., A. H. Kean, treasurer; Bridgeport Screw Co., R. G. Farrell, president; Bryant Electric Co., G. W. Goodridge, works manager; Canfield Rubber Co., C. F. Holcomb, president; The E. W. Carpenter Manufacturing Co., E. W. Carpenter, president; Challenge Cutlery Corporation, W. E. Primrose, treasurer; Connecticut Electric Co., A. H. Trumbull, president; Cornwall & Patterson Manufacturing Co., J. T. Patterson, president; Curtis & Curtis, L. B. Curtis, president; Feeney Tool Co., J. M. Feeney, president; General Electric Co., W. S. Clark, general manager; Handy & Harman, G. C. Gerrish, works manager; Heppenstall Forge Co., C. S. Lindsay, treasurer; Housatonic Machine & Tool Co., J. W. Weir, president; Harvey Hubbell (Inc.), G. S. Hadley, secretary; International Silver Co., J. G. Ludlum, general manager; Ives Manufacturing Corporation, H. C. Ives, president; Jenkins Bros., C. V. Barrington, general manager; Jennings Bros. Manufacturing Co., E. A. Jennings, secretary; Locomobile Co., E. L. Larson, general manager; Manning, Maxwell & Moore (Inc.), C. H. Graesser, works manager; Manufacturers' Iron Foundry, F. R. Carstensen, treasurer; The W. S. Mills Co., W. S. Mills, treasurer; Monumental Bronze Co., R. M. Sperry, general manager; The A. H. Nilson Machine Co., A. H. Nilson, president; N. Palmer & Co., F. C. Clark, president; Parrott Varnish Co., Harry Hudler, secretary; Pequonnock Foundry, G. E. Kirsten, president; The Porcupine Co., J. K. Williamson, president; Remington Typewriter Co., C. W. Berry, works manager; Salts Textile Manufacturing Co., Frederick Rhodes, treasurer; F. C. Sanford Manufacturing Co., F. C. Sanford, president; Siemon Hard Rubber Corporation, C. F. Siemon, president; The Sprague Meter Co., W. P. Hutchinson, general manager; Springfield Manufacturing Co., H. F. Brandes, president; Spring Perch Co., J. C. Hawley, treasurer; Standard Coupler Co., G. H. Wood, general superintendent; Stanley Rule & Level Co., C. E. Zink, general manager; Tait & Sons Paper Co., W. G. Prior, secretary; The T. P. Taylor Co., F. M. Hammond, president; White Manufacturing Co., C. O. Matthews, general manager; Wolverine Motor Works, L. I. Snyder, treasurer.

BULLETIN OF THE MANUFACTURERS' ASSOCIATION OF THE CITY OF BRIDGEPORT, CONN. (INC.).

[No. 1952.]

AMERICAN VALUATION.

JUNE 3, 1921.

Important: Please act on this matter immediately or pass it on for the attention of the proper official. Do not lay it aside or allow it to be filed away.

President Harding, Secretary Hoover, the Chamber of Commerce of the United States, the Manufacturers' Association of Connecticut, and practically all industrial

organizations and plants favor with unusual unanimity the American valuation basis for levying ad valorem import duties.

The call has gone from coast to coast for every organization to do its bit toward impressing upon Congress the fact that the manufacturing interests of the entire Nation demand the adoption of American valuation.

In order that this association may take a concise and united stand in reference to this question, each member in favor of American valuation is urged to sign and return to this office the attached authorization on or before Wednesday, June 8.

ALPHEUS WINTER, *General Manager.*

AUTHORIZATION.

ALPHEUS WINTER,

General Manager Manufacturers' Association.

You are hereby authorized to affix the signature of this company as it appears below to the proposed petition covering American valuation, for presentation to the members of the appropriate congressional committees.

STATEMENT OF FREDERICK B. WILCOX, SECRETARY AND TREASURER, AMERICAN TEXTILE CO., PAWTUCKET, R. I.

Mr. WILCOX. The American Textile Co., Pawtucket, R. I., which we represent, manufactures laces, veils, net, and kindred fabrics on Levers machines. We favor American valuation, with rates on raw material and finished goods in proportion.

Our plant employs about 450 and is the largest plant in the United States making laces of the character previously referred to. The value of our production in 1919 was in excess of \$900,000 as compared with \$6,608,000 total production of Levers laces as reported in 1919 to the Census Bureau.

Senator WATSON. That is the whole production?

Mr. WILCOX. In this country—in the United States.

Senator WATSON. That is, you manufacture \$900,000 worth of the \$6,000,000 in the United States?

Mr. WILCOX. That is right, sir.

In order to place before the committee a typical case covering the most staple article of manufacture in the lace business, we have attached Exhibit A, showing three samples of val lace which are imported and sold in this country after the payment of all duties under the present emergency tariff, at a price with which it is impossible for us to compete. To show the importance of the manufacture and sale of val laces by domestic manufacturers, would say that not less than 40 per cent of the sale of laces on Levers, should, under normal conditions, be obtained from the sale of the laces of this character.

Nos. 10989, 22373, and 22370 are of foreign manufacture and priced at 20 cents, 30 cents, and 30 cents per dozen yards, respectively, this being the selling price in the New York market at the present time, as confirmed by Exhibits B and C. Nos. 22373 and 22370 are a much better quality than are numbers of our manufacture. Nos. 9802 and 9807, which appear also on Exhibit A, and these sold for 32 cents, show no profit to the American Textile Co., this being the bare cost, included in this cost the selling expenses, but no charge for depreciation of the plant, machinery, etc. We wish to particularly emphasize the fact that No. 01989, priced at 20 cents, is either greatly undervalued on a proportionate basis of size or else the other two foreign numbers (22370 and 22373) are greatly overvalued from

the standpoint of the foreign selling price. In either event it is impossible for domestic manufacturers to compete with a variation of prices running from 10 to 30 per cent as compared with goods landed in this country with all duties paid. We can supply the committee with hundreds of similar cases if it is the desire of the committee to have such statistical data on file.

Senator WATSON. Could you not sufficiently protect your product by a rate high enough? Why do you have to have American valuation?

Mr. WILCOX. Because that is the fairest basis we can go on. The great trouble in the past has been the undervaluation. With the importers themselves, when we tried to sell laces in years past, it has openly been a joke with them that most laces were definitely undervalued when they came into this country.

Senator DILLINGHAM. Do you think most of them were undervalued?

Mr. WILCOX. I would not say most. I think many of them were undervalued at the customhouses.

Senator DILLINGHAM. What proportion of them would you say were undervalued?

Mr. WILCOX. I do not think anybody in the world could give an intelligent opinion as to that.

Senator DILLINGHAM. But you have some information on the subject.

Mr. WILCOX. We know this, that on the val laces, which constitute from 40 to 50 per cent of the lace made on the Levers machine, it is impossible to compete with foreign prices.

Senator WATSON. Do those come mostly from Switzerland?

Mr. WILCOX. Mostly from France. Of course the exchange situation is a factor there, but it has always been so under normal exchange conditions since the Aldrich bill was changed to the Underwood bill.

Senator DILLINGHAM. How does the price at which they have been sold in this country compare with your production cost?

Mr. WILCOX. The price at which they have been sold in this country is generally from 10 to 25 per cent less than our production cost; that is about the way it would figure in these exhibits that I am filing with the committee.

In connection with the argument frequently advanced that it would be impossible for the customs department to obtain the American valuation of goods landed in this country, would say that the customs department has been valuing for years the cotton yarns imported by this company, which yarns are made exclusively in England, there being no American manufacturers of this product in the finer counts, which in some cases are used by us.

We have also included in Exhibit D the actual duty paid by us under the present tariff on purchases of yarn made during the past two years, to show the wide fluctuation of such duty payments because of the difference in price as between the date of purchase of the yarns and the date of the invoices. As compared with the duty under the present tariff of 2 2½ per cent to 27½ per cent, the duty actually paid by the American Textile Co. has ranged from 11 per cent to 58½ per cent, because of the fluctuation in prices and exchange rates during the last two years. (See Exhibit C.) We believe that such fluctuations are inevitable during such a period and that they

would be no greater under the American valuation plan. As a matter of fact, under the American valuation plan, the importer who purchases goods abroad should certainly be as well assured of the cost landed in this country as has been the case during the last two to five years, as the importers have been subjected to the same fluctuations that we have in landing importations.

The lace industry has suffered for many years from undervaluation of imported laces and to such an extent that without American valuation, we believe the lace industry is doomed in this country. The American Textile Co. has a capital investment of \$700,000 and in only one year of the last 7 years has it earned an operating profit, notwithstanding the most rigid economy in all departments of its business. (See Exhibit E.) The president and treasurer have served for many years without salary or any compensation whatever, and the board of directors have also for many years given their services to the company as required without compensation, even as represented by a nominal director's fee.

During the last five years, three lace manufacturers in Rhode Island have gone out of business as a result of the general conditions affecting the industry, and one other company has recently been reorganized with a very large loss to the original investors in the enterprise.

Are there any questions?

The CHAIRMAN. How much of an increase in duty do you need on the basis of the American valuation?

Mr. WILCOX. We feel that on the basis of the former duty, the same duty should be placed on lace in the new bill as was placed upon it in the old bill, with the American valuation plan both for yarn and lace; that is, the duty on imported yarn, which is freely used by the lace manufacturers, has not been reduced. It remains the same. We feel that the duty on lace should remain the same as in the old act, substituting the American valuation.

Senator WATSON. The present law?

Mr. WILCOX. Yes, sir; substituting the American valuation for the foreign valuation.

Senator McCUMBER. You want an increased duty, in effect?

Mr. WILCOX. Yes, sir.

The CHAIRMAN. What increase would it be over the Payne-Aldrich rate?

Mr. WILCOX. The Fordney bill as passed by the House increases the duty about 10 per cent I should say over the Payne-Aldrich rate. The present rate of duty on the basis of American valuation would probably show an increase of about 80 per cent over the Payne-Aldrich rate. The lace manufacturers on the basis of American valuation would of course be obliged to pay much higher prices for imported yarn than under the Payne-Aldrich act.

(The exhibits referred to are as follows:)

EXHIBIT B.

NEW YORK, July 25, 1921.

AMERICAN TEXTILE Co.,

Pawtucket, R. I.

GENTLEMEN: The most staple set of vals in our line, as you know, is the gooseneck set, our No. 9807 set. At the prices at which we have this set marked to-day it is simply impossible to sell it on account of the European competition. Inclosed

please find a sample of a double gooseneck, No. 010989, being sold in small quantities in the market by Hyman Bauman & Co., 115 Fifth Avenue, at 20 cents per dozen, regular terms, 7/10/60 extra. One of their salesmen stated to a customer to-day if they would buy a quantity, they could give them a lower price even than 20 cents a dozen. You can readily see that we are up against it, as in my opinion our machines will not be able to start again on vals as it is simply out of the question to try and do any business with this line. No doubt I will have other samples to send you of gooseneck vals showing that all the importers can undersell us.

Inclosed please also find a much finer set than ours, Nos. 22373 and 22370, at 30 cents per dozen, regular terms, being sold in the market by Goodman & Dessauer. If any customer wanted to buy a quantity from them no doubt they can sell it cheaper.

Regret exceedingly that conditions are such that we can not possibly sell any vals for you, but as I have submitted so many times samples showing how cheaply importers can sell vals and still make a profit, I am sure you understand it.

Yours, truly,

AMERICAN TEXTILE Co.
E. A. FREEMAN.

EXHIBIT C.

Sample 010989. Offered by Hyman Bauman & Co., 115 Fifth Avenue, New York City, at 20 cents per dozen.

Analysis shows: Made of 140/2 and 90/1 yarn; 12 point machine; 16 carriage width; 16 inches to the rack quality.

Samples 22373 and 22370. Offered by Goodman & Dessauer, Eighteenth Street and Fifth Avenue, New York City, at 30 cents per dozen.

Analysis shows: Made of 140/2 and 90/1 yarn; 12 point machine; 20 carriage width; 16 inches to the rack quality.

Both these samples are standard merchandise. Both are made of the same material and the quality is exactly the same, the only difference being the width.

It is seen that the prices are inconsistent. If the price of 22373 and 22370 is correct and not overpriced, pattern 010989 represents undervaluation or dumping.

Compare our No. 9802 and No. 9807 standard vals, which under present conditions figured with to-day's price on raw material and to-day's reduced labor, 9802 and 9807 can not be sold at 30 cents per dozen without loss, and patterns 22370 and 22373 are better quality than our 9802 and 7.

Pattern 010989 should be priced at not less than 16/20 or 4/5 of the selling price of pattern 22373 (30 cents) or 24 cents per dozen.

This is not an isolated or unusual case, but merely illustrates what is happening continually and has been going on for years to the detriment of the domestic lace industry. This can easily be verified by any domestic manufacturer.

American valuation may not entirely remedy this condition, but it certainly will go a long way toward it.

EXHIBIT D.

AMERICAN TEXTILE Co.,
Pawtucket, R. I., July 29, 1921.

The lace trade uses fine counts of yarn at present not manufactured in this country, so we are compelled to import from England our so-called "bobbin yarns." We are importers as well as manufacturers. We use approximately \$200,000 worth of imported yarns a year. The accompanying list shows the percentage of duty paid on the various yarns which we have imported. This percentage is figured on the price paid to the English spinner. It will be noted that the amount of duty actually paid is quite different from the ad valorem rate. This is brought about by the fluctuation in the prices abroad as well as the variance in exchange.

Count.	Duty.	Paid on purchase price.	Count.	Duty.	Paid on purchase price.
	<i>Per cent.</i>	<i>Per cent.</i>		<i>Per cent.</i>	<i>Per cent.</i>
70/1.....	22½	11½-53½	140/2.....	27½	22½-49½
90/1.....	25	33-36½	160/2.....	27½	19½-58½
98/2.....	25	11-25			

Cost per pound of yarns from Europe for American Textile Co.

Date of order.	Date of invoice.	Count.	Price per pound paid spinner.	Duty per pound.	Per cent invoice value paid for duty.	Cost per pound.
Mar. 6, 1918.	Jan. 18, 1919.	160/2	\$2.55	\$0.83	32½	\$3.38
June 27, 1919.	Oct. 9, 1919.	90/1	2.39	.79	33	3.18
July 1, 1919.	do.	140/2	2.21	.85	38½	3.06
Do.	Oct. 28, 1919.	140/2	2.21	.93	42	3.14
June 27, 1919.	do.	90/1	2.39	.87	36½	3.26
Do.	do.	90/1	2.39	.80	33½	3.19
Aug. 1, 1919.	do.	140/2	2.21	.85	38½	3.06
June 27, 1919.	Jan. 2, 1920.	90/1	2.40	.88	36½	3.28
Aug. 1, 1919.	do.	140/2	2.23	.95	42½	3.18
Do.	Jan. 8, 1920.	140/2	2.23	.75	33½	2.98
Do.	Jan. 9, 1920.	140/2	2.16	.69	32	2.85
Nov. 14, 1919.	do.	140/2	2.92	.69	23½	3.61
Aug. 1, 1919.	Jan. 19, 1920.	140/2	2.16	.72	33½	2.88
Nov. 14, 1919.	Feb. 5, 1920.	140/2	3.02	.68	22½	3.70
Oct. 14, 1919.	Feb. 22, 1920.	140/2	3.02	.76	25	3.78
Jan. 1, 1920.	Feb. 26, 1920.	140/2	3.51	1.24	35½	4.75
Do.	Mar. 10, 1920.	140/2	3.51	.85	24	4.36
Do.	Mar. 24, 1920.	140/2	3.51	.96	27½	4.47
Do.	May 11, 1920.	140/2	3.48	1.27	36½	4.75
Jan. 2, 1920.	Aug. 9, 1920.	98/2	3.11	.34	11	3.45
Nov. 19, 1919.	do.	160/2	2.95	.77	26	3.72
Jan. 2, 1920.	Nov. 22, 1920.	98/2	3.11	.41	13	3.52
Nov. 19, 1919.	Dec. 23, 1920.	160/2	2.95	.77	26	3.72
Jan. 2, 1920.	do.	98/2	3.11	.34	11	3.45
Do.	Jan. 18, 1921.	98/2	3.11	.34	11	3.45
Do.	Jan. 24, 1921.	160/2	2.95	.75	25½	3.70
Do.	do.	160/2	3.87	.75	19½	4.62
Do.	Jan. 31, 1921.	98/2	3.11	.34	11	3.45
Do.	Feb. 9, 1921.	160/2	3.83	.75	19½	4.58
Do.	Feb. 26, 1921.	160/2	3.83	.77	20	4.60
Do.	Mar. 21, 1921.	160/2	3.83	.77	20	4.60
Do.	Apr. 4, 1921.	160/2	3.83	.77	20	4.60
Do.	May 9, 1921.	160/2	3.83	.85	22	4.68
Sept. 4, 1918.	Nov. 22, 1918.	160/2	2.84	.80	28½	3.64
Do.	Dec. 13, 1918.	160/2	2.84	.80	28½	3.64
Sept. 4, 1918.	Jan. 31, 1919.	160/2	2.84	.86	30½	3.70
Do.	do.	160/2	3.07	.86	28	3.93
May 16, 1919.	June 5, 1919.	140/2	2.13	.65	30½	2.78
Do.	June 25, 1919.	140/2	2.12	.65	30½	2.77
July 8, 1919.	July 17, 1919.	90/1	2.33	.64	27½	2.97
Do.	do.	140/2	2.03	.79	39	2.82
Aug. 12, 1919.	Sept. 11, 1919.	70/1	1.87	.57	30½	2.44
July 8, 1919.	do.	160/2	3.02	.97	32	3.99
Aug. 12, 1919.	Oct. 10, 1919.	70/1	1.85	.56	30½	2.41
July 8, 1919.	do.	160/2	3.02	.97	32	3.99
Aug. 12, 1919.	Oct. 27, 1919.	70/1	1.85	.57	30½	2.42
July 8, 1919.	do.	160/2	3.02	1.00	33	4.02
Aug. 12, 1919.	do.	70/1	1.85	.57	30½	2.42
July 8, 1919.	Dec. 3, 1919.	160/2	3.02	.80	28½	3.82
Aug. 12, 1919.	do.	70/1	2.10	.49	23½	2.59
Oct. 16, 1919.	Jan. 16, 1920.	160/2	3.04	.76	25	3.80
Aug. 12, 1919.	do.	70/1	2.17	.43	19½	2.60
Oct. 16, 1919.	Feb. 9, 1920.	160/2	3.03	.83	27½	3.86
Aug. 12, 1919.	do.	70/1	2.16	.53	24½	2.69
Oct. 16, 1919.	Mar. 1, 1920.	160/2	3.04	.84	27½	3.88
Dec. 31, 1919.	do.	70/1	2.17	.53	24½	2.70
Oct. 16, 1919.	Apr. 15, 1920.	160/2	3.04	1.78	58½	4.82
Dec. 31, 1919.	do.	70/1	2.17	.78	36	2.95
Oct. 16, 1919.	May 10, 1920.	160/2	3.78	1.90	50½	5.68
Oct. 16, 1919.	do.	70/1	1.98	.95	48	2.93
Do.	June 14, 1920.	70/1	1.98	1.06	53½	3.04
Dec. 31, 1919.	do.	160/2	3.78	1.96	52	5.74
Oct. 16, 1919.	July 7, 1920.	70/1	1.98	1.06	53½	3.04
Dec. 31, 1919.	do.	160/2	3.78	1.96	52	5.74
Dec. 24, 1919.	Aug. 20, 1920.	70/1	3.07	.35	11½	3.42

Cost do not include freight, consular fees, cost of spools and cases, cartage, customs entry, and clearance services.

EXHIBIT E.

American Textile Co. operating results.

[NOTE.—Operating deficits in italics.]

	Gross sales.	Operating profits.		Gross sales.	Operating profits.
1913.....	\$594,890.30	\$596.68	1917.....	\$637,270.33	\$25,538.80
1914.....	639,984.17	118,263.60	1918.....	716,224.17	32.95
1915.....	541,730.46	38,284.71	1919.....	934,832.97	101,571.39
1916.....	681,852.92	7,019.78	1920.....	668,327.01	8,833.58

The CHAIRMAN. Is there any gentleman present who has been overlooked and not been given an opportunity to be heard?

(No response.)

The committee will adjourn for the day, as the list of those who desire to be heard has been exhausted. We will resume to-morrow with the gentlemen who were to be notified to appear to-morrow, and with every prospect of closing the hearings on valuation and proceeding on Wednesday to the hearings on the embargo, which will close the open hearings, for the present, as already announced, until the committee can meet in executive session and consider the questions involved in valuation and embargo.

The witnesses are excused and the room will be cleared for the use of the committee.

(Whereupon, at 12.30 o'clock p. m., the committee adjourned until to-morrow, Tuesday, August 2, 1921, at 10.30 o'clock a. m.)

Tuesday, August 2, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), Smoot, McCumber, Dillingham, Watson, McLean, Curtis, Simmons, and Walsh.

The CHAIRMAN. The committee will come to order. The hearing will be continued, and, it is hoped, will be finished to-day, on the individual testimony relating to American valuation, so called.

The first gentleman to be heard, according to the schedule, is Mr. H. D. Bowie. You represent Mr. J. L. Ambery, do you not?

Mr. BOWIE. I represent the American Doll Manufacturers' Association.

The CHAIRMAN. You are actually in the doll manufacturing business yourself?

Mr. BOWIE. Yes, sir.

The CHAIRMAN. Proceed.

STATEMENT OF H. D. BOWIE, REPRESENTING THE AMERICAN DOLL MANUFACTURERS' ASSOCIATION, NEW YORK, N. Y.

Mr. BOWIE. The American valuation, which is the subject at hand, with regard to dolls, is the only subject which I care to talk about. The fact that dolls are manufactured at the present time in only two countries outside of the United States—Germany and Japan—puts dolls into the class of goods and merchandise manu-

factured only in countries of low labor costs; and under the present method of assessment of duties it is always in favor of the country that has the extremely low labor cost. There is no other country at the present rate of exchange and with the present wages that is able to compete in shipping dolls to the American market.

Previous to the war there were practically no dolls manufactured in America. During the war we built up an industry of about twelve to fifteen million dollars, without the competition of Germany. It was during the war that Japan entered into the field.

In the previous hearings before the Ways and Means Committee the question of duty on dolls came up. The rates asked for were far in excess of any before heard of, with the currency revision proposition which was expected at that time to be of some help to us, and then, when this new tariff bill was written, including the American valuation, we for the first time saw the possibility of competing with German merchandise and even with Japanese merchandise.

The market value of merchandise is absolutely unobtainable in such countries as Japan, for the reason that there are no dolls of the type imported into the United States made in Japan except for exportation. In the so-called commercial institute in Japan American manufactured products collected by the Japanese consular service are on display, with American prices, and it is from those samples of every conceivable kind of merchandise that the Japanese manufacture comparable merchandise and ship it to the American market.

There are absolutely no dolls similar to the type sold in America made in Japan for Japanese consumption. You could travel the whole length of Japan and you would not see them in any shop. The market price of the doll is the invoice value. There is no home market value of the merchandise.

Because of the fact that it has been testified here that there is keen competition in the doll business, I brought with me two small samples of practically comparable merchandise to show you and to quote the domestic selling price and the present wholesale selling price in New York of those two. I have them here in my grip.

This doll [indicating] is a doll of German manufacture, and this [indicating] is a doll of American manufacture. It was manufactured during the war without competition, but at the present time is in competition with German merchandise now coming in. This doll was bought from a jobber in New York at \$11.18 a dozen. This doll [indicating] is the product of a doll factory in New York. The head is the product of a pottery factory in New Jersey, and the wig is made by a wigmaker in New York. The total assembled doll could be sold to the jobber or to the wholesaler in New York for about \$30 a dozen.

Senator McCUMBER. The other is sold for how much?

Mr. BOWIE. \$11.18.

Senator McCUMBER. After paying duty?

Mr. BOWIE. After paying duty. It is sold by a jobber to a retailer for resale; but this doll [indicating] will be sold by a manufacturer to a retailer for \$30 a dozen.

The CHAIRMAN. Are they of similar weight and material?

Mr. BOWIE. The dolls are hardly exactly comparable. The German doll is a little shorter. The head is a little larger. It would be possible to secure an exactly comparable doll to this. The German merchandise runs up in varying ranges. The American merchandise, on account of the high cost of the dies and the machines, are made in fewer sizes. The German merchandise, being a home-made product, they have been able to make a considerably larger and longer range. If this doll were made in America in the same size it would cost very little different. It is simply the weight of the material, and the labor entering into it would be exactly the same.

Senator WALSH. Are these prices the prevailing current prices, or are they exceptional?

Mr. BOWIE. That doll [indicating] was bought from a jobber.

Senator WALSH. In the regular course of business?

Mr. BOWIE. In the regular course of business, and the price quoted is the manufacturer's regular price.

It would be easy enough to adjust the American valuation on merchandise made in this country. The fact of comparable merchandise entering into this in most countries, to my mind, would be simply for the reason that most of the merchandise imported into this country is manufactured from samples taken from this country to the other country for manufacture. In the case of Japan that is absolutely true. A sample is taken from this country by somebody interested in Japanese manufacture, and they copy the details. It should be easy and simple with that method of manufacture to find articles that are comparable, as they are manufactured from an article taken across.

There is one other point a little outside of the doll manufacture. We have at the present time been receiving large orders for this year's business which would be considered nothing before, but they are quite considerable orders from Canada, due to the fact that Canada has just placed a duty amounting to 12 cents on German merchandise, whereas the American department stores are standing still, or, as you have heard so often, on their way back, having bought German merchandise.

It seems possible, according to the reports that we see in the papers that German competition will be ruinous. For instance, the New York Times has an article, dated July 25, headed "German industries entering on a boom; artificially cheap labor and coal are basis of general revival in many branches."

It goes on to say, in short:

The simple explanation of the mystery of Germany's economic revival is hard work plus cheap raw materials, artificially cheap coal and labor, the latter conditioned by artificially cheap bread and housing, all artificial because maintained solely by State control through fixed maximum prices.

The Journal of Commerce and Commercial Bulletin of July 29, 1921, has a long article on the low wages in Germany, which says, among other things:

"The current opinion that Germany (given complete freedom to export, which does not at present exist) could undersell the other great commercial nations is unquestionably correct, for, measured by their gold equivalent, German wages are indeed extraordinarily low. In May the average hourly wage of a skilled metal worker was 6.60 marks, which at present dollar exchange is about 10 cents gold."

I simply quote those extracts to show the comparison with the wages in America in the doll factories to-day. Last year the average wage paid in New York State for factory labor I understand was about \$25. We were paying an average wage to our workers last

year of \$27. That included both men and women, with a percentage slightly in favor of the women. The workers in the pressroom who make these dolls make an average of \$40. There are at present in New York City over 2,000 people who were formerly employed in doll manufacturing out of work.

Senator SMOOT. You refer to the wage per week?

Mr. BOWIE. Yes, sir. There is only one factory working in New York, which happens to be our own, and we are operating on one-quarter time. The other three so-called large factories have been closed tight since practically the first of the year.

Senator WALSH. What is the high-water mark of activity in this industry during the year?

Mr. BOWIE. During the war the demand for goods in this country made the buying season compare with the former import buying season. In January, February, and March we secured our orders and started to manufacture against orders in hand. I might say that for the past four years that condition prevailed, and we always had something to look forward to. This year, in January, February, March, and April, our sales were about one-tenth of what they were in the previous year, and as we went on manufacturing we have in stock about three times as much goods as we have sold.

Senator WALSH. That would indicate that the wholesalers and retailers are holding back their orders?

Mr. BOWIE. The wholesalers and retailers have gone abroad and placed a certain amount of business abroad and are either waiting for that merchandise and not intending to place orders with us, or they anticipate lower prices in this country.

I suppose that we are in the same fix as every other manufacturer. There is very little buying.

It is within the province, I think, of this committee to make a drastic change in tariff legislation, such as American valuation, and that will immediately start this country on a buying basis, because if this American valuation goes through nearly everybody will know exactly what the merchandise is going to cost, and we will at least start in. We need some very drastic legislation of this type, which would overthrow the customs service work for the past hundred years and put them on an entirely new basis.

Senator WALSH. Prior to the war can you state what percentage of the dolls sold in this country were imported?

Mr. BOWIE. Previous to the war I think there were about \$2,000,000 worth of dolls imported.

Senator WALSH. What was the value of the product made in America?

Mr. BOWIE. The product made in America at that time, I think in 1914, was around three-quarters of a million dollars. During the war that business grew to about \$12,000,000, due to the fact that there were about 125 to 130 manufacturers who entered the field.

Senator WALSH. So that the consumption, so to speak, of dolls during the war increased from three-quarters of a million to twelve millions?

Mr. BOWIE. Previous to the war we had very little export business. Two years ago we sold over \$100,000 worth of goods in South America. At the present time we can not sell a dollar's worth of goods in South America.

Senator SMOOT. The prices were a great deal higher, too.

Mr. BOWIE. It would represent quite a decline in prices, this year.

Senator WALSH. Those are very startling figures; do you not think so, gentlemen, that this industry should increase during the war from three-quarters of a million dollars to twelve million dollars?

Mr. BOWIE. That was due primarily to the fact that there was an effort to sell the dolls in this country due to the possibility of being able to put dolls in places where they had never reached before, but other countries can come back and get into the fields we have opened.

I just want to say one thing more about the value of the merchandise abroad with the idea of the buyer of the merchandise in view.

I had the pleasure of going abroad and buying merchandise. When a man goes abroad to buy merchandise he has one thing in view—he goes to buy and to compete with the merchandise manufactured in America. He knows the value of the merchandise before he goes abroad. If he knows the duty is 10, 20, or 30 per cent, he knows exactly, when he goes abroad, how much less he has to pay in order to compete. It seems only natural that the buyers should go to the nation where they know that the labor costs are low, where merchandise can be produced 75 per cent cheaper than it can be produced in this country. When the merchandise comes into this country this country collects a duty of 25 per cent of the real value of the merchandise.

There is another feature, that merchandise coming into this country to-day is coming in at prices ridiculously low. There have been prices quoted in these various hearings that it seems almost impossible that merchandise could be made for; and that merchandise is not always comparable, as I am frank to admit has been brought out. It is to a certain extent camouflaged merchandise.

If the American valuation should be adopted and you place a duty on an article that that is supposed to represent—and they claim that it is the same in material, looks, fabric, and everything—there would be more value in the merchandise than we are getting from the other side, because it would hardly pay a man to buy an article for 5 cents if he knew he was going to pay 25 cents duty on it. The flood of cheap merchandise, which, to a certain extent, is the curse of this country, would be stopped more by this American valuation than by assessing any amount of duty that could be put on, because it would bring the merchandise up to the standard of good merchandise.

The CHAIRMAN. The next gentleman to be heard is Mr. H. C. Ives.

STATEMENT OF H. C. IVES, REPRESENTING THE TOY MANUFACTURERS OF THE UNITED STATES OF AMERICA (INC.), NEW YORK, N. Y.

The CHAIRMAN. You appear for Mr. F. D. Dodge, do you not, Mr. Ives?

Mr. IVES. Yes, sir; I appear for Mr. Dodge and for the Toy Manufacturers of the United States of America. I am also a manufacturer in Bridgeport, Conn., and head of the Ives Manufacturing Corporation.

The CHAIRMAN. You are a toy manufacturer yourself?

Mr. IVES. I am, sir.

The CHAIRMAN. Will you state briefly your views?

Mr. IVES. Yes, sir; I will be very brief. I have a statement to submit, and I would like to make a few remarks in connection with it.

In submitting our statement on American valuation we desire to state in the beginning that we shall discuss this question only on its merits as the basis for assessing *ad valorem* duties.

The opponents of American valuation are experts on foreign invoice values or importers.

The proponents are men who are experts on American market values or Government officials whose duties require them to weigh evidence.

Government experts who have spoken in favor of American valuation are such men as Judge Marion De Vries, Chief Justice of the United States Court of Customs Appeals; Hon. Herbert C. Hoover, Secretary of Commerce; and James B. Reynolds, for five years Assistant Secretary of the Treasury in charge of the Customs Service—men trained to consider evidence and to determine whether a case has been proved. These men are unanimous in their testimony that foreign valuation has failed and that American valuation is necessary and feasible. Those who have been for years hearing evidence on foreign market values maintain that they are seldom accurately obtained and that instead the invoice values of individual shipments are used as the basis for estimating duties. And still further, that those invoice values are not in many cases true values. Sufficient evidence has been introduced to prove beyond any reasonable doubt that great pains has been exercised by foreign exporters to confuse or conceal the true foreign market value.

Experts who have appeared in opposition to American valuation are Government employees whose duties are to find values and who, we understand, in practice come to depend upon invoices from abroad for their information.

Employees whose work is of this type are proverbially opposed to change as any employer can testify.

I have just had a case of that kind in my own plant in reorganizing the detail workers, those who have been working on detail. These employees objected to the reorganization scheme and did not want it. As soon as they found out how the new scheme would work and how the work was coming on they are the most valuable ones that we have. I think when they come to see what this thing means you will have a wonderful lot of workers in connection with the American valuation plan.

The business men who are coming here to oppose this change are either importers who are really agents of foreign manufacturers, or merchants who import a greater or smaller volume of goods. The opposition of the first class is easily understood—they naturally prefer a system which in practice takes invoice values as the basis for duties and which leaves the determination of the accuracy of those values to agencies located in a foreign country surrounded by all the difficulties that it is possible to impose.

That is one of the evils that we feel exists at this time, and it is hard for me, at the same time, to comprehend why the American merchant is so much in favor of the old régime. Certainly every dollar's worth of merchandise which is imported into the United States and sold takes that much away from the purchasing power of the American public.

One has only to go up through New England to see what real depression is. The entire section of New England, where most of

the small articles are made—notions, buttons, and everything of that description which the import articles conflict with—is practically dead. I am quite sure that if you should go through the mercantile establishments of the country to-day you would find them fairly well stocked with German merchandise while our own plants are lying idle.

When it comes to the discussion of the ease of determining American values we feel that there is no one more competent to speak on that point than the American business man. He certainly is qualified; and as far as determining American values is concerned, he certainly is competent to do it himself, because he has to buy American products from all over the United States, from all points, and has to buy them far in advance.

There is no difficulty whatever in determining American values. The business man buys his materials on that basis, and therefore there is no difficulty whatever in the Government's finding out what the American values are.

Senator SIMMONS. That might be so if a particular product was produced in the United States; but suppose it is not produced in the United States, but there is some other product sold in the United States as a sort of substitute for it of comparable value. Would you have difficulty then?

Mr. IVES. I would say not, sir. There is the established American value there. That is brought down by the local competition, American competition, one man with the other.

Senator SIMMONS. How would you establish comparable value? The thing is not produced here. You want to find something that is produced here with which you can compare it. You tell the committee that you would find no difficulty in finding that thing of comparable value. Why, in your judgment, should we adopt comparable value for the purpose of increasing the valuation if the thing is not produced in the United States at all?

Mr. IVES. If the thing is not produced in the United States, it would seem to be entirely up to the judgment of the customs officials.

Senator SIMMONS. What is your idea, where a thing is not produced in the United States, of forcing up its value by comparing it with some other product? What is accomplished upon the theory of tariff protection? What is accomplished by that? If the thing is not produced at all in the United States, why should you go about seeking something of comparable value for the purpose of raising the valuation of that?

Mr. IVES. We could not.

Senator SIMMONS. You could not under the act? Is that your construction of it? That is not my construction of it.

Mr. IVES. It would seem to me that that is a matter entirely in the discretion of the customs officials. If an article is not comparable with any other article in America, they have to use their own judgment.

Senator McCUMBER. If it is sold in America, they can find out the selling price in America?

Mr. IVES. They could.

Senator SIMMONS. But there is produced in this country something of comparable value. I think that is the language of the act. You

think that you ought to make that the standard for the valuation of that product?

Mr. IVES. I have a little example here. Take the duty on toys, which, under this bill, I believe, is 10 per cent. The toy costs in Germany \$6. The American price on competing merchandise is \$10. The cost of the German article, including the duty, would be \$10. If the American manufacturer should raise the price to \$12, the German toy would then cost \$6 plus 40 per cent of \$12 (\$4.80), or \$10.80; \$10.80 immediately gives the importer an advantage of \$1.20 over the American manufacturer.

Senator SIMMONS. In other words, if you are producing a toy and Germany is not selling that specific toy at all, and you can find some other toy that the children might like just as well and it would sell just as well as that, then you value the article that you produce just according to the value of this toy that you think is just about as popular as your toy?

Mr. IVES. If it is comparable.

The CHAIRMAN. Are not the cases where there is nothing comparable very rare?

Mr. IVES. Quite so.

Senator SMOOT. I think the bill provides for that.

Senator SIMMONS. Then you leave it very largely to the discretion of the appraiser to go out and find something comparable.

Senator SMOOT (reading):

* * * shall mean the value of the imported merchandise on said date for sale (whether or not there shall be an actual sale), for consumption or use in the United States in its condition, etc.

Senator SIMMONS. I am talking about finding a comparable article. As I understand this witness and as I understand this bill, the appraiser would go out and look for something of comparable value. Of course, he would be aided very largely by the producer in this country in finding it, but in the last analysis you would have to rely upon the judgment of the appraiser as to whether it was of comparable value or not.

The CHAIRMAN. The case is so rare, as I understand it—

Senator SIMMONS. If it is so rare, there might not be any particular necessity of including it. It is only upon the theory that it occurs frequently—

The CHAIRMAN. It does not occur frequently.

Senator SIMMONS (continuing). That there is any excuse for injecting this very indefinite and uncertain element into this bill.

Mr. IVES. I might say for your further information that every year, early in the season, in New York there is held what is called a toy fair. At that fair the products of the toy manufacturers are shown, from the big manufacturers to the small manufacturers. Every line is represented there. Prices at that time are quoted for the year. It is a very simple matter for an appraiser to visit that fair and familiarize himself with prices. In fact, all the buyers attend that fair before going abroad, and the foreign manufacturers get a line on what the American manufacturer is doing at the same time. It is the simplest matter in the world to make comparisons and get all the data necessary.

Senator SIMMONS. Say, for instance, that you are producing a child's horn. Suppose the Germans send in a horn that is something

like it and that is much more popular than yours, because probably it is a little differently made. Do you think that you should compare those two things in order to get the value?

Mr. IVES. Comparable price and quality.

Another thing that it has a tendency to do is to get the American manufacturer up on his toes and keep him alive and keep him working, planning and contriving to beat his foreign competitor. It also means that the foreign competitor is going to do the same thing, which results in better merchandise. We must be put on a parity.

Senator SIMMONS. If you are producing enough toys in this country for the children, although the Germans may have some other toys that are altogether different from yours, you do not want them to come in and sell them to the fathers and mothers in this country except at the price of having the value of their toys raised to the value of your toys, although they may be of a different kind or character?

Mr. IVES. There is very little chance for variation, sir. It is a matter of the ingenuity of one manufacturer compared with that of another—

Senator McCUMBER. Is there anything imported from Germany or elsewhere that has not its prototype in America?

Mr. IVES. Hardly.

Senator McLEAN. Do you not think that the rising generation of American children can be safely brought up on American toys?

Mr. IVES. Absolutely; and the matter of a toy is a matter of the early education of the child. Why not bring them up on American ideas instead of on German ideas? There is the point. Why buy German toys for American children, or why buy Japanese toys?

Senator SIMMONS. Why not follow your argument right on and say that America can produce anything she needs, and therefore we do not want anything to come from abroad?

Mr. IVES. We want to do as Germany does. We want to accept those things that we need and not accept those things that we do not need. We could not ship a toy into Germany to-day, but Germany ships them into this country.

Senator SIMMONS. You would like to see an embargo upon every product that is produced—

Mr. IVES. No, sir; you do not get me right.

Senator SIMMONS. That is the logic of your proposition.

Mr. IVES. I want to see the American toy manufacturer have a fifty-fifty break with the foreign importer. That is a good sporting man's proposition. We do not want anything more.

Senator McLEAN. Is there any reason why we should give Germany the benefit of the doubt?

Mr. IVES. Not to my way of thinking. I believe in America for the Americans.

Senator SIMMONS. I am perfectly willing, if you gentlemen want to frame a tariff to protect a similar article produced in this country, that you should do it; but if you want to frame a tariff which indirectly would work an embargo, I am against it.

Mr. IVES. If you will take pains, sir, to look at the brief submitted by the Toy Manufacturers of the United States of America you will find that all they ask for is a good sporting man's chance, a fifty-fifty break. If that is not good enough for anybody, I do not know what is.

Senator SIMMONS. My own judgment about it is that this provision is introduced for the purpose of starting out upon a scheme of embargo.

Mr. IVES. I never got that impression from it.

Senator SMOOT. That is the first time I have ever heard it intimated.

Senator WATSON. Senator, if you did not impose a tariff that would protect the American manufacturer from an article that is comparable to what is being made in this country, you might just as well not have a tariff at all.

Senator SIMMONS. Senator, there is hardly anything in certain lines where you can not find something that can be used as a substitute for it.

Senator WATSON. That is quite true; but if you do not protect the American manufacturer from that article that is comparable to what he is making, you might just as well not have a tariff, because that comparable article comes in and puts him out of business.

Senator SIMMONS. This provision not only purports to protect a particular article and to further protect it by raising the valuation, but it proposes to extend that same protection to every article that could be used as a substitute for it.

Senator SMOOT. Not at all.

Senator WATSON. Is not that entirely right?

Senator SIMMONS. No. Put the duty directly upon the substitute, if you want to, but not put it indirectly upon the substitute.

Senator WATSON. We will argue that out in the committee.

Mr. IVES. I have here a statement or brief as drawn up by the association which I will submit. It covers the field.

The CHAIRMAN. It will be printed in the notes as a continuation of the witness's statement.

Mr. IVES. I would like to have it entered as evidence, sir.

The CHAIRMAN. I want to tell all the witnesses, as I have done heretofore, that if they will apply to the clerk ample opportunity will be given them to correct the proof of their remarks. It is the desire of the committee to have them as accurate as may be. It is the fault of the gentlemen concerned if they let them get into the permanent record in any slipshod way.

Senator WATSON. Have wages been reduced in your establishment?

Mr. IVES. Yes, sir.

Senator WATSON. How much?

Mr. IVES. I should say 10 to 12 per cent.

Senator SMOOT. What are you paying, now, on the average, for labor?

Mr. IVES. My position is this: I have a lot of employees that have been with me for a great many years, good, staid, steady people, and rather than come down too severely on the wage I have called them all in session and had a heart-to-heart talk, and increased production, which would seem to me is the more liberal way of doing, until such time as it is absolutely necessary to go further.

Senator McCUMBER. You have increased their efficiency?

Senator WATSON. Pardon me. You did not answer the question. What is the average wage?

Mr. IVES. I am afraid that you have hit me on an embarrassing question, because they are divided up——

The CHAIRMAN. You employ a good many women, I suppose?

Mr. IVES. The women are getting on an average of \$15 to \$16 a week, which is a pretty good wage at this time. The pressmen are, on an average, on day work, of 50 cents an hour, but they are working on a bonus scheme which helps them out a little over that. It is a very good wage at this time.

The CHAIRMAN. Do you employ many children?

Mr. IVES. I can not do that.

The CHAIRMAN. You can employ them after they pass a certain age.

Mr. IVES. There are about a dozen that have to leave at 4.20 in the afternoon; that is, during vacation time. That is another point where we are terribly handicapped when it comes to foreign competition.

The CHAIRMAN. I know that.

Mr. IVES. We have to go up against child labor and home labor, all of which we can not do in our line of industry.

The CHAIRMAN. The committee realizes that and has had it presented to them.

Senator WALSH. Where is your factory located?

Mr. IVES. In Bridgeport, Conn.

The CHAIRMAN. Have you anything further to say to the committee?

Mr. IVES. Nothing, unless you have any further questions.

BRIEF OF H. C. IVES, REPRESENTING THE TOY MANUFACTURERS OF THE UNITED STATES OF AMERICA (INC.).

In submitting our statement on American valuation, we desire to state in the beginning that we shall discuss this question only on its merits as the basis for assessing ad valorem duties. We recognize that American valuation must stand or fall on that point. That fact, of course, is familiar to members of this committee, but so many witnesses have seemed confused in regard to it that we feel that it is wise to make our position clear at the opening of the argument.

Several witnesses have based their objections to American valuation on the ground that they consider the rates of duty in the bill as passed by the House of Representatives too high and prohibitive. Even if that were the case, such an argument does not prove that American valuation in itself is unreasonable and unworkable. The rate on toys may be too low but we defer all argument on that rate until your committee takes up consideration of that section of the tariff bill.

The opponents of American valuation are experts on foreign invoice values or importers.

The proponents are men who are experts on American market values or Government officials whose duties require them to weigh evidence.

Government experts who have spoken in favor of American valuation are such men as Judge Marion De Vries, Chief Justice of the United States Court of Customs Appeals, Hon. Herbert C. Hoover, Secretary of Commerce, and James B. Reynolds, for five years Assistant Secretary of the Treasury in charge of the customs service—men trained to consider evidence and to determine whether a case has been proved. These men are unanimous in their testimony that foreign valuation has failed and that American valuation is necessary and feasible. Those who have been for years hearing evidence on foreign market values maintain that they are seldom accurately obtained and that, instead, the invoice values of individual shipments are used as the basis for estimating duties. And still further, that those invoice values are not in many cases true values. Sufficient evidence has been introduced to prove beyond any reasonable doubt that great pains has been exercised by foreign exporters to confuse or conceal the true foreign market value.

Experts who have appeared in opposition to American valuation are Government employees whose duties are to find values and who, we understand, in practice come

to depend upon invoices from abroad for their information. Has one of them been a man who has tried in European countries or any country to get foreign market values? Can they show that the records which they have compiled in New York or other ports contain such data as of the date of exportation of any considerable portion of the merchandise they appraise? Reference was made before your committee to 500,000 numbers of laces on record in New York. Is any of that data, much less the bulk of it, anything other than foreign invoice values—not market value?

Employees whose work is of this type are proverbially opposed to change as any employer can testify. Such workers get accustomed to a certain method and their whole temperament rebels against a change. In any office in the country a change, such as the one proposed from foreign value to American value, would be vigorously opposed by the routine workers and could only be put into operation if the manager or owner, who correspond to the judicial and Treasury officers of the Government, found the need for it and insisted that the detail workers adopt the new principle and find the ways and means necessary to carry it out.

The business men who are coming here to oppose this change are either importers who are really agents of foreign manufacturers or merchants who import a greater or smaller volume of goods. The opposition of the first class is easily understood—they naturally prefer a system which in practice takes invoice values as the basis for duties and which leaves the determination of the accuracy of those values to agencies located in a foreign country surrounded by all the difficulties it is possible to impose. Further, it is necessary to disprove the invoice value, otherwise it stands. It is very difficult to secure the evidence that a court requires. Therefore the so-called cases of undervaluation do not measure the extent of undervaluations, because the greater bulk are cases in which undervaluation is strongly suspected but the legal evidence can not be obtained.

The opposition of the merchants who are dependent upon American workers for their trade is more difficult to understand. Why should the investment in hundreds of factories be jeopardized to save department stores from inconvenience in pricing a small per cent of their goods and appraisers from the trouble of developing a new system of records and new methods for finding values?

The American business men who are appearing in favor of American valuation are men who know from long experience that they suffer from evils that are inherent in foreign value as the basis for ad valorem duties. They say we know that imported goods have repeatedly been placed on sale at prices which can only mean that the full amount of duty was not collected. They are helpless to assist the Government in determining foreign values but are able and ready to place their own records at the disposal of the Government, and these will prove American values adequately and easily.

And when it comes to the discussion of the ease of determining American values, who is more competent to speak on that point than an American business man? Is he not better qualified than the representative in this country of a foreign manufacturer? American manufacturers are finding American values every day—the success of their business depends on it. American manufacturing is highly competitive. If a manufacturer should go into the market for raw materials and fail to find the true market value, and buy accordingly, he would soon go into bankruptcy. No factory could survive if the purchasing department did not know how to get American values and did not buy accordingly. These manufacturers tell your committee out of the long experience they have had that American values can be found, and they would loan to the Government their purchasing agents or other trained men who could in a short time install the system required to enable the appraisers to get results just as readily.

Objection is raised by many opponents of American valuation that the markets of the United States are scattered, whereas the markets abroad are concentrated. American business men meet that situation every day when they buy materials. And their problems are more difficult than those which would confront the appraiser, because the markets for raw materials, to which specific duties in general are applied, are much more widely scattered than the markets for fabricated goods, to which ad valorem duties in general are applied. Even small and comparatively poorly organized toy factories buy lumber in New England, Texas, and Wisconsin on the same day, and they do so because they can find and do find the American market value of the different grades and kinds of lumber required for their products. That is simply a typical example.

Representatives of other industries have repeatedly testified that there is one principal market for their merchandise where the appraisers can readily secure the data on all wholesale prices. That is also true of the toy industry. Every year there is held in New York a toy fair, at which the goods of practically every large and small

toy manufacturer are displayed. The prices quoted there are on goods which will be delivered in the following October and November.

The implication that many witnesses have made is that the foreign manufacturer must start production further ahead of the date of delivery than the American. He does not in toys, and probably does not in any line. From the nature of the toy business, the bulk of the toys are sold at retail during the Christmas holidays and are therefore not needed by the stores until fall. The jobbers demand a little earlier delivery so that they may have the goods in their warehouses for shipment to their customers in the fall. It is well known that a factory can not afford to stand idle, and to avoid closing down, toy manufacturers come into the market in January and February and offer prices which must stand for the whole season—the calendar year. They do this in order to get as many orders as possible early in the spring. From experience they are able to determine from the spring orders the probable total volume of sales in each particular number, and this enables them to go ahead with production in the spring. This policy keeps employed during the whole year hundreds of persons who would otherwise be seasonal workers.

Therefore, the American prices on toys can be obtained in New York in February of any year for that calendar year. The Government appraisers can get these prices and examine the merchandise at the same time. The buyers for the department stores do so and, as a matter of fact, try to see the domestic merchandise before they go abroad. We know that the representatives of foreign manufacturers also get the prices in the spring. As New York is the American market for toys, and as samples of practically all kinds of toys can be found on display in that city every day in the year, the appraisers would have at hand complete data on toys.

The same is true of Chicago, as a toy fair is held there immediately after the fair in New York is closed.

It has come out repeatedly that whenever opponents of American valuation quote specific instances and cite a particular industry to prove their objections to American valuation such objections are easily and completely answered by the American manufacturers who are familiar with the actual trade conditions in this country.

One of the principal objections which has been raised to American valuation is the possibility that it would offer an opportunity for American manufacturers to manipulate sales and establish a fictitious American market value. So far as our study of the testimony has gone, that objection has been raised only by importers or agents of importers. We American toy manufacturers have each time said to ourselves, "So far as our own knowledge goes we do not see how such manipulation could be practiced, and the methods suggested are so round about that they would seem to be prohibitively expensive." We are therefore compelled to believe that the parties who raise this objection are speaking from knowledge as to the advantage which has been gained by manipulating foreign market values to reduce the amount of duty. One of the principal reasons why we ask for American valuation is so that we can help the Government check undervaluations that are probably general and flagrant under present conditions which favor the importer and hamper the American manufacturer when the determination of values is involved. If those familiar with importing practices believe that a false market value could be established in this country under American valuation, we are ready to agree that similar methods have proved effective in establishing false market values in foreign countries, and that the testimony of Government experts to that effect is correct.

The objection that American manufacturers might combine to raise prices in order to increase the duty has been so completely answered by other witnesses that we would not consider it necessary to go over that ground again if the point had not been raised as recently as July 27. Unless the duty is 100 per cent, there is no class of merchandise which could be manipulated by American producers except to their own hurt. Take the duty on toys of 40 per cent for a concrete example: If a toy costs in Germany \$6, and the American price of competing merchandise is \$10, the cost of the German toy, including duty, would be \$10. If the American manufacturers should raise the price to \$12, the German toy would then cost \$6 plus 40 per cent of \$12 (\$4.80) or \$10.80. Ten dollars and eighty cents immediately gives the importer an advantage of \$1.20 over the American manufacturer.

Unfortunately, the source of objection to American valuation is not always indicated in documents prepared by the Tariff Commission. We refer particularly to page 24 of the pamphlet, *Information Concerning American Valuation as a Basis of Assessing Duties Ad Valorem*, which was submitted to the chairman of the Committee on Ways and Means on March 26, 1921. Toys are cited as a conspicuous example of the possibility for easy manipulation of the American market by importers. We, as experts in the toy industry, know that the scheme there outlined could not be worked.

The actual conditions of the toy business, as stated above, show that because prices quoted in the spring are normally for delivery in the fall. Abnormally low spring prices for immediate delivery would not reduce the amount of duty because the basis for estimating the duty would be the prices in force in the fall when the majority of the merchandise leaves Germany. The law provides that the price shall be the wholesale "on the date of exportation." But, disregarding that point, if the small amount of goods carried over from one season could be used to establish a false American market value, how much more readily could the same volume of merchandise be used to establish a fictitious price abroad? But it would be impossible in practice to establish false American values because the quantities offered would be so small, and the number of transactions so few, that any conscientious and wide-awake customs official would instantly detect such a fraud.

It is further stated in this report of the commission that it is objected that jobbers' prices fluctuate violently. We know that jobbers' prices do not fluctuate during a calendar year, because it is the custom of the trade to quote prices in the spring for fall delivery. The only fluctuations would be those due to an effort to get rid of slow-moving goods. Such reductions would ordinarily not be made until late in the season, after the bulk of the imports had been entered, or immediately after the holidays, before the imports for the next year had begun to come in. From the very nature of the toy industry, a reliable jobber can not change his prices violently during the calendar year on staple or popular toys. Jobbers' prices may vary in different sections of the country; but on American goods, which under the proposed plan would be the basis for estimating duties, the differences can always be accounted for by freight and other charges incidental to the delivery of the goods. As American manufacturers we would be satisfied to have the American values fixed by the prices quoted in New York. On noncomparable foreign goods we could only find out by experience whether the importers could put over fraudulent values on the appraisers, and if they should we will be in a position to ascertain this fact and assist the Government officials in running it down. We believe that in the beginning the New York market price on noncomparable toy imports would also be the basis for assessing duties.

That the practice of using foreign-market value has fallen down is amply proved by the fact that Congress was compelled to adopt either foreign export value or home value, whichever is higher, in the emergency tariff bill. Our wonder is that Congress only partially abandoned an imperfect system instead of meeting the condition by eliminating all the difficulties of determining foreign values by adopting American valuation.

The objection that an importer must know his total cost, including duty, months in advance of the delivery of the goods and that it can not be determined under American valuation, and he therefore can not continue in business, is answered by two arguments: (1) American prices are quoted just as far in advance of delivery as foreign prices and can be obtained on toys. They are no doubt available in all other lines. We know of no reason why American prices should change more frequently than foreign prices. If that is true what is the practical difference over the present law?

The second argument is that any fluctuation in American prices could not possibly be as violent as the recent fluctuations in the German mark. This fluctuation will probably continue for months and years. Fluctuations have not stopped the importing of toys from Germany as the present condition of our industry clearly proves, although goods when finally delivered have cost much more or less than was anticipated when the order was placed. The chaotic condition of foreign exchange which makes the adoption of American valuation the only solution that will preserve American industries is the best possible proof that importers can do business when the final price is not known months in advance.

In closing, we wish to reiterate the fundamental reason why American valuation should be adopted:

- (1) It will prevent undervaluation.
- (2) It will equalize exchange so far as the basis for assessing duties is concerned.
- (3) It will collect the same amount of duty from all countries and eliminate the present discrimination in favor of countries of low standards of living.
- (4) It will make it unnecessary to ask for a rate on toys, which would be absolutely prohibitory against most other countries, if it were made high enough to protect our industry against Germany, which is our principal competitor.

The CHAIRMAN. The committee will hear from Mr. W. O. Coleman.

**STATEMENT OF W. O. COLEMAN, PRESIDENT OF THE AMERICAN
FLYER MANUFACTURING CO., CHICAGO, ILL.**

The CHAIRMAN. State your name to the committee.

Mr. COLEMAN. W. Ogden Coleman, president of the American Flyer Manufacturing Co., Chicago. We manufacture toy trains.

The CHAIRMAN. You are in the business yourself?

Mr. COLEMAN. Yes, sir; I am president of the company.

The CHAIRMAN. And what is the name of the company?

Mr. COLEMAN. American Flyer Manufacturing Co.

The CHAIRMAN. All right. Proceed in your own way, Mr. Coleman.

Mr. COLEMAN. In appearing before this committee I appear only as a plain train manufacturer who asks that you give us reasonable protection against the present abnormal conditions due to the low labor costs abroad and the depreciated currency. That is all we ask. We ask only a fighting chance to meet that competition.

Last year our factory produced 875,000 complete trains.

The CHAIRMAN. Is that all you make—just trains?

Mr. COLEMAN. Trains are all we make.

Senator WATSON. Mr. Chairman, are we going into the schedules this morning? I thought the whole subject of discussion to-day was American valuation and nothing more.

Mr. COLEMAN. That is all I will speak about.

The CHAIRMAN. That is all we are going into, and I think we can finish it during the morning session.

You will not be very long, will you?

Mr. COLEMAN. No, sir; I will make it very brief.

The CHAIRMAN. The committee is not so much interested in trains as it is in the valuation.

Mr. COLEMAN. There [exhibiting a sample] is just a sample of what we make. I brought it along so that you could see what I was talking about.

Last year we produced 875,000 complete trains. We make only trains. A year ago at this time we were employing 400 people. Our average weekly pay roll was approximately \$12,000. To-day our plant is completely closed down. It has been closed since the 1st of July, and it will probably be closed for at least another month.

The CHAIRMAN. Why is it closed?

Mr. COLEMAN. I will get to that in just a minute.

The CHAIRMAN. All right.

Mr. COLEMAN. In spite of this fact, however, that we are closed down, I am confident that our concern is able to meet foreign competition if you put us on the real basis that we should be placed upon.

Senator WALSH. Without this 40 per cent protection provided in this bill, could you meet competition?

Mr. COLEMAN. No, sir.

Senator WALSH. You want that, of course?

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. Are any German trains coming in?

Mr. COLEMAN. Yes, sir; I have some samples of them.

The CHAIRMAN. How long have they been coming in?

Mr. COLEMAN. They started to come in last year, but only a very few. They have been coming in since the first of the year.

Senator McLEAN. All of them are on time, I take it?

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. That would be a novelty in this country. Are they coming in in great amounts now?

Mr. COLEMAN. Yes, sir; they are. You can find them on sale practically every place in New York, and gradually they are getting farther and farther west.

We went into the toy business in 1907. It was a side line. Gradually, from 1907 to 1914, we built up a little line of trains. In 1914 the war came along and gave us our opportunity. We discarded all the other lines of goods we were making and devoted our energies entirely to toys.

Senator WALSH. How many toys were you producing then? What was the volume?

Mr. COLEMAN. In 1914?

Senator WALSH. Yes.

Mr. COLEMAN. It was around 90,000 trains.

Senator WALSH. What was your production last year?

Mr. COLEMAN. 875,000.

Senator WALSH. Proceed.

Mr. COLEMAN. From 1914 to 1920 practically every cent of profit which we made—and it was only small—went into the improvement of our product and into making special dies and special machinery to meet the keen competition which we felt sure was coming.

Mr. COLEMAN. That we were successful in doing this is illustrated by the few parts that I have brought here to show what we have accomplished. These are what we call ties. They fasten the tracks together.

In 1914 it took three machines and three operators, each operator performing a separate operation, to make 20,000 pieces a day. To-day after having spent \$10,000 in experimenting and making special tools one operator, using one machine, is producing over 40,000 pieces. Our idea was to get the cost of production down; that is what we tried to do.

The CHAIRMAN. Is yours the only concern that makes these trains exclusively?

Mr. COLEMAN. No, sir; there are four others. Mr. Ives, who has already addressed the committee, makes trains and also some boats. However, he makes trains largely. The Lionel Co. of New York also makes them, as does the Hafner Manufacturing Co. of Chicago.

Senator WALSH. How many trains were imported last year?

Mr. COLEMAN. I can not tell you, Senator. The amount was practically negligible.

Senator WALSH. How many were imported in the first six months of this year?

Mr. COLEMAN. I can not tell you because imports are not divided into units of trains, but a large quantity have come in.

The CHAIRMAN. It is the menace that you want to guard against, is it not?

Mr. COLEMAN. I beg your pardon.

The CHAIRMAN. It is the menace or the danger that you want to guard against?

Mr. COLEMAN. Yes. They are coming in, as I will show you later. People from whom we have had orders and people we shipped earlier in the year have come along later and asked us to cancel. In one case

I wrote and asked why they now wished us to cancel their order. Here is the reply:

I have your letter of July 11 and have carefully noted the contents.

I fully understand your position in the matter and can only say that I would prefer to buy from your concern or any American concern rather than buying German goods. As a matter of fact, I have been so prejudiced against German goods that up to the present writing I have not purchased a dollar's worth. However, I have seen many lines (not alone toys) which have been offered to me at prices far cheaper than the American make. I will therefore be compelled, in justice to my business, to buy my merchandise at the lowest price, providing, of course, that everything else is equal.

Of course, I have not purchased any of the trains to take the place of yours, for I have quite a few American Flyers on hand. As I am able to purchase the foreign trains I wrote you about from jobbers who carry them in stock here, it is unnecessary for me to order in advance. I have, however, instructed my manager to order one of the trains I had in my mind, and I will send same to you upon receipt, and also let you know the price I will have to pay for them.

I am very glad to cooperate with you, and, as stated above, would much prefer to give you the business, provided everything is equal. These few lines are for the purpose of explaining to you my position in the matter.

That is just one letter. We have had a great many letters which are just exactly the same. The dealers take the position that if they do not import the goods, their competitor across the street will, and that as a result thereof they will suffer.

Senator WATSON. Do you know what wages are paid in similar institutions in Germany?

Mr. COLEMAN. No, sir.

Senator WATSON. What wages do you pay?

Mr. COLEMAN. Our wages, taking boys and girls together, average approximately 50 cents an hour.

Senator SIMMONS. Did you ever find out from the author of that letter just what the character of those toys was?

Mr. COLEMAN. That has not come in, but I have some samples which will illustrate the point that I have in mind.

Senator WALSH. Will you give us the name of the author of that letter?

Mr. COLEMAN. I will, Senator, if you insist. As a matter of fact, I have sent a copy of this letter to Senator Penrose, so that the committee has a copy in its files.

The CHAIRMAN. Senator Walsh can see that letter in the files, if he desires to.

Senator SIMMONS. I think it would be very helpful if you could give us your price and the price at which the German article is sold.

Mr. COLEMAN. Yes.

As I was saying, in 1914, the war gave the American toy manufacturers their chance. By 1919 the total production, according to the Bureau of Commerce reports, was \$45,000,000; in 1920 it was \$50,000,000.

During this same time, while toy production increased 300 per cent, generally speaking, the production in our own country increased, in dollars and cents, 2,000 per cent, until in production last year we reached 6,000 complete trains per day. You can figure that out for yourselves; it is 11 trains per minute. To-day we are shut down.

Senator WATSON. How many hands do you employ?

Mr. COLEMAN. Last year?

Senator WATSON. Yes.

Mr. COLEMAN. Four hundred people, when we were making that production.

The CHAIRMAN. They are using German trains?

Mr. COLEMAN. Do you mean the people of this country?

The CHAIRMAN. Yes.

Mr. COLEMAN. Yes, sir.

Senator WATSON. This whole question depends upon the difference between the cost of production at home and abroad, does it not?

Mr. COLEMAN. That is the whole thing.

Senator WATSON. Can you show that difference?

Mr. COLEMAN. I have sample trains right here with me.

Senator WALSH. It also depends upon the ability of Congress to substitute the condition of the world market—

Mr. COLEMAN (interposing). I did not catch that, Senator.

Senator WALSH. You can not restore at once the condition that existed during the war. In the readjustment of this problem we have to realize that production everywhere must be revived.

Mr. COLEMAN. Surely and all that we ask for is an even chance.

Here are sample trains. This is a train bought in New York on July 27, from a New York jobber. The price was \$8.50 per dozen. Here [indicating] is our train, which costs, landed in New York, and selling to the same trade that the jobber would sell to—the retail trade—approximately \$10 a dozen. That includes the freight.

Senator WATSON. What is the difference; is it \$8.50 and \$10?

Mr. COLEMAN. \$8.50 and \$10.

This jobber bought it from an importer.

Now, if I am correct, I believe that the gentleman who represented the novelty and fancy goods importers told the committee yesterday that the importer had to add 25 per cent to the landed cost to cover the cost of doing business, and on top of that he has to add his profit.

Senator WATSON. What is the tariff now?

Mr. COLEMAN. Thirty-five per cent. On top of that the jobber has to make his profit and has to add his cost of doing business.

I figured it back and I do not see how it could possibly have cost over \$5 landed in this country, against \$10 for our train.

Senator WATSON. Why do you say that?

Mr. COLEMAN. Well, I will give you the figures. First, you take \$5 a dozen and then add 25 per cent. That is \$1.25.

Senator WATSON. Why do you add 25 per cent?

Mr. COLEMAN. Because the importers said yesterday they had to add 25 per cent to the landed cost to cover the actual cost of doing business.

Senator SMOOT. Twenty-four per cent is what the firm from Chicago added.

Mr. COLEMAN. That brings it up to \$6.25. Assume that 10 per cent is a fair profit for the importer and add that 10 per cent to \$6.25. That brings it up to \$6.87. That is what it sells to the jobber for. The jobber has to add 20 per cent to cover the cost of handling. If you take 20 per cent of that, you have \$1.37, which brings it up to over \$8. The price that I bought it for was \$8.50.

Senator WALSH. From the wholesaler?

Mr. COLEMAN. From the wholesaler. As a matter of fact, I bought it from the wholesaler to whom we formerly sold a great deal of goods.

Senator WALSH. Were the goods identical?

Mr. COLEMAN. Yes, sir; they are; at least as nearly so as possible. In fact, their car is larger.

Senator McCUMBER. It would cost you more to manufacture their car?

Mr. COLEMAN. Obviously it would, Senator.

Senator McCUMBER. Are they the same?

Mr. COLEMAN. Their car has a bottom in it, while our car has not.

Senator McCUMBER. Is there anything in the material and method of production in either car to give one superiority over the other?

Mr. COLEMAN. No, sir.

Senator WATSON. You explained a while ago that you had a machine that turned out many of these cars.

Mr. COLEMAN. Yes, sir.

Senator WATSON. Have the Germans that machine?

Mr. COLEMAN. I do not know. They may have one as good as or better than the one we have. My point was that we had improved our methods.

Senator WATSON. I know that, but I wanted to know if they had as good a machine.

Mr. COLEMAN. They probably have. They have not been sleeping all this time.

This is another train.

Senator WATSON. A German train?

Mr. COLEMAN. Yes. It costs \$12 from the wholesaler. Our price would be \$15—the landed price. This would probably cost \$8 landed.

Senator WATSON. Have you any competition except German competition?

Mr. COLEMAN. That is all.

The CHAIRMAN. What do these trains retail for?

Mr. COLEMAN. I have one here. Here [indicating] is one bought at New York at retail. There are two cars.

Senator WALSH. A German train?

Mr. COLEMAN. Yes, a German train. There are two cars, four pieces of track, and this engine has an automatic brake on it. Our engine has no brake at all.

Senator WATSON. The members of the committee are all too old to be interested in toy trains.

Senator SMOOT. I take exception to that.

Mr. COLEMAN. This track has an automatic trip on it. The result is that when the train goes over it it stops. That is an added feature and an added expense. That is sold at \$1.25; that is, at the retail stores.

Senator WALSH. What are the prices at the wholesale places?

Mr. COLEMAN. I have not a train similar to this at the wholesale price.

Senator WALSH. How much is added to the price of the train that you sell in America to the wholesaler and how much is added to the German trains?

Mr. COLEMAN. Well, I should say approximately 40 to 50 per cent. Oh, wait a minute. I am taking it from the sale price. It is 66½ per cent of the cost.

Senator SMOOT. That would be the minimum, would it not?

Mr. COLEMAN. That would be the minimum.

Senator McCUMBER. At what price? Did I understand you to say there is only 66 $\frac{2}{3}$ per cent added to the retail price above the wholesaler?

Mr. COLEMAN. Yes. Take the train here, which costs landed in New York \$10 a dozen, and sells in New York all the way from \$1.25 to \$1.50; in other words, the train that costs them \$10 sells from \$15 to \$18 a dozen.

Senator McCUMBER. To whom?

Mr. COLEMAN. To the consumer—the purchaser. The retailer adds at least 66 $\frac{2}{3}$ per cent.

Senator McCUMBER. The reason I inquired into the 66 $\frac{2}{3}$ per cent is that I bought one like that the other day and paid \$6. That is just a few days ago. That is more than 66 $\frac{2}{3}$ per cent.

Mr. COLEMAN. It probably was a better make of train.

Senator McCUMBER. I think not.

Mr. COLEMAN. Here is a train that I paid \$1.25 for, and here is a train, of American make, which was bought for \$1.25. As I have already said, this one has an automatic trip on it, an additional feature.

As to our factory, at the beginning of the year, in order to keep our people employed, we started with 3,000 trains per day. We kept that up until April, when we got down to 2,000 trains per day. In June we cut the number down to 1,000 trains per day, and on July 1 we stopped production. During this time the cost of the German mark fell from \$1.65 per hundred marks, in February, to \$1.25 per hundred marks at the present time. The cost of the German goods landed here fell and, naturally, the cost being less, the duty was less, so that the two things were against us.

During the first six months of the year—and I have taken these figures from the report of the Bureau of Foreign and Domestic Commerce—the imports of toys increased from \$333,000,000 in January, to \$607,000,000 in May.

For the last 11 months, ending in May, the total imports of toys into this country, according to the report of the Bureau of Foreign and Domestic Commerce, amounted to \$9,122,000. For the same period of a year ago, ending in May, 1920, the imports were only \$4,931,000.

Senator WALSH. What do these statistics show for the same period in 1914?

Mr. COLEMAN. I have not the same 11 months for 1914, but for the year 1914 the total was practically \$8,000,000, or a little over \$7,000,000.

Senator WALSH. What will be the total for this year at the ratio named?

Mr. COLEMAN. Well, it is a little bit difficult to tell. You mean by taking up to June?

Senator WALSH. Yes.

Mr. COLEMAN. It would be approximately \$10,000,000. It is over \$9,000,000. And there is the point. You can see for yourself the way imports are jumping. In April it was \$382,000,000, and in May, \$607,000,000. Now, the imports are just beginning.

Senator SMOOT. You said millions. You meant thousands?

Mr. COLEMAN. Yes, thousands.

Senator SIMMONS. Mr. Coleman, will you answer this question:

Mr. COLEMAN. Yes.

Senator SIMMONS. What is your price now compared with the price you sold goods at in 1918, 1919, and 1920?

Mr. COLEMAN. It is difficult for me to say just what they were sold for in 1918 and 1919. They are approximately 15 per cent less than in 1920.

Senator SIMMONS. You do not know how much less than in 1919?

Mr. COLEMAN. They are about the same as in 1919.

Senator SIMMONS. In other words, you reduced the price 15 per cent?

Mr. COLEMAN. From a year ago at this time; yes.

Senator McLEAN. What is the cost of production as compared with 1914?

Mr. COLEMAN. Well, judging by labor, our cost of production is over 100 per cent more.

Senator McLEAN. And what is the cost of production in Germany as compared with 1914?

Mr. COLEMAN. That I can not tell you, but—

Senator McLEAN. If it has doubled here and has doubled there, you would double the difference, wouldn't you?

Mr. COLEMAN. Yes, sir. But there is a difference in the depreciated exchange.

Yesterday while I was listening to the hearings before this committee I heard one of the gentlemen say that the wages in Germany in the industry in which I am interested were only one-fourth of what the prewar wages were.

Senator McLEAN. I do not know that it has doubled there.

Mr. COLEMAN. No. I do not know the facts. I simply mentioned what was said by the gentleman yesterday.

Senator McLEAN. But if it is has doubled, you would have to double the cost of production?

Senator SIMMONS. It was said before the war, as I remember it, that the wages over there then were starvation wages. In view of that statement, I do not know how they are living there now.

Mr. COLEMAN. That is quite a question.

Senator SIMMONS. I have heard the argument made again and again, especially before the war, that the wages there were starvation wages. Now, if they are one-quarter as high as they were then, it seems to me that makes a striking situation.

Senator McCUMBER. I thought that before the war the Germans were more prosperous than they have ever been.

Senator SIMMONS. Well, the statement was made that the wages were starvation wages.

Mr. COLEMAN. I referred to what one of the gentlemen said yesterday in regard to what the workmen were getting before the war as compared with what they are getting now.

Senator SMOOT. But that comparison is on a gold basis.

Mr. COLEMAN. Yes; on a gold basis.

Senator SMOOT. He can purchase three times the amount of goods in Germany.

Mr. COLEMAN. But it is German wages we have to compete with.

Senator SMOOT. He is not getting fewer German marks than before.

Mr. COLEMAN. Oh, no.

An objection to the American valuation which has been presented repeatedly is that the American value will not be known in time to enable the importer to quote definite prices to his customers. So far as toys are concerned, our prices for the following Christmas are announced to the trade in January and February and are soon known to the importer, as the following letter illustrates. This letter was written to me by another toy train manufacturer in Chicago. It shows clearly just how confident the Germans are that they can so far undersell us that they can completely put us out of business. Here is Mr. Haffner's letter. He says:

I know you will be personally and vitally interested in the statement made to the writer by John Bing, the New York representative of Bing Bros., toy manufactueres, of Nuremburg, Germany, during a conversation in his office during the New York toy fair.

Mr. Bing produced the price list of your company, the Ives Manufacturing Corporation, and my concern, the Haffner Manufacturing Co., and boasted that his prices on direct competitive numbers of toy railroads were a little lower than the lowest prices of the American trade manufacturers, and he could have sold at considerably lower prices than he did if it were necessary to get the business.

I believe you realize fully the seriousness of such competition, which, of course, is possible only because of the depreciation in exchange of the German mark.

Several of our customers stated to me on a recent trip that their German toy importations cost them landed at United States ports, duty paid, less than 3 cents per mark.

In other words, they are underselling us now in order to get the business. He was out to get the profit.

Senator SMOOT. That is the way they will all do in Germany.

Mr. COLEMAN. Yes.

Gentlemen, the only thing that will save the American toy industry from the present abnormal low wages abroad and depreciated exchange is to adopt the American valuation plan and base your duties on cost of similar merchandise in this country.

The American valuation will make duties equal from all countries, regardless of the cost of production or depreciation in their exchange.

American valuation will avoid undervaluation and fictitious valuations. The same John Bing who was referred to in Mr. Haffner's letter is the head of a \$10,000,000 toy combine in Germany that manufactures goods practically exclusively for export through himself. This being the case, he can establish a selling price for himself abroad at whatever he pleases and make his profit on the sale of goods in this country after he has brought them in at a value which does not include all of the real costs which were contemplated when the present law was written.

Senator SIMMONS. You say the American valuation will avoid undervaluation. Don't you think that it would sometimes result in gross overvaluation in order to increase the tariff rates?

Mr. COLEMAN. What is that?

Senator SIMMONS. Will it not sometimes result in gross overvaluation in order to increase the tariff rates?

Senator SMOOT. That would depend upon the ad valorem rates fixed.

Senator McLEAN. And it would depend upon foreign competition.

Mr. COLEMAN. This same John Bing, as I have said, is the head of a \$10,000,000 toy corporation or combine in Germany that manufactures goods practically exclusively for export through himself.

Senator SIMMONS. Suppose there are four manufacturers of trains. Suppose they get together and form a combine. They say, "By raising the price of our toys, we can increase the duty of the Germans

because we increase the value at which the product will be appraised when it enters the country."

Mr. COLEMAN. All right.

Senator SIMMONS. May that not lead to overvaluation?

Mr. COLEMAN. What is the American manufacturer going to do if he keeps raising the price? If he does that, people will not buy that particular toy; they will buy some other toy.

Senator SIMMONS. I do not know that the American people will do that sort of thing. They seem pretty much disposed to pay whatever is asked if they want the article. If your train is controlled by a monopoly, you can raise the price as much as you please.

Mr. COLEMAN. But you can not force buyers to buy it.

Senator SIMMONS. But you can raise it as much as they will stand. The public seems disposed to stand a great deal.

Mr. COLEMAN. During the war our prices advanced.

Senator SIMMONS. Certainly they did.

Mr. COLEMAN. Wait a minute. They advanced less than 80 per cent over the prewar prices. Now, there are a few commodities——

Senator SIMMONS. I am not talking about that. I am not referring to you particularly.

Mr. COLEMAN. You spoke of us train manufacturers.

Senator SIMMONS. I said if you combine.

Mr. COLEMAN. There are few items that I can find the price of which in 1920 had not been advanced more than 80 per cent over the prewar value.

Senator McLEAN. When you raise the price you get an increase on account of the difference——

Mr. COLEMAN. Yes.

Senator McLEAN. And just as soon as you bring about that increase it works to the advantage of the German manufacturers, does it not?

Mr. COLEMAN. Certainly.

Now, may I refer again to John Bing. I have said that as the head of a \$10,000,000 combine in Germany he manufactures goods practically exclusively for export through himself. In other words, if he wants to do so, he can sell goods to himself at less than what it actually costs to produce in Germany and then make a profit on the selling price in this country. Inasmuch as he controls the factories the profit goes to him and he is perfectly satisfied.

The American valuation will give the American manufacturer a chance to continue in business instead of being driven from his own home market, because of the fact of abnormal low cost of production abroad and depreciated currency.

American valuation will not inflate prices to the consumer. During the war the American toy industry grew until it was completely able to supply the home market, which resulted in the keenest kind of competition among American manufacturers. If the duties on foreign toys were assessed on American valuation, and that seems to be a just request, we should have an opportunity of competing with the imported goods on an equal basis. It would be real competition which would permit a rapidly growing industry to live.

Senator SIMMONS. What rate of duty would you have to have, leaving out German valuation, in order to protect you?

Mr. COLEMAN. I would not attempt to answer offhand, because I have not prepared myself.

Senator WALSH. According to these prices, it would be about 200 per cent.

Mr. COLEMAN. It would be something like that.

Senator WALSH. These trains here are \$5 per dozen, and you say you make and sell them for \$10.

Mr. COLEMAN. It would take approximately 100 per cent on the article that costs \$5. It will vary with different articles, of course. It is difficult to tell.

Senator SIMMONS. Would you say that with the American valuation of 40 per cent you would be protected?

Mr. COLEMAN. Yes, sir.

Senator SIMMONS. Without the American valuation probably it would be 100 per cent?

Mr. COLEMAN. Yes, sir.

Senator SIMMONS. So that the effect of the American valuation in your case is to raise your potential protection from 40 per cent to 100 per cent?

Mr. COLEMAN. Possibly, in the one individual case; but that is not the question. As I say, I am not here arguing on the rate question. It is not so much the question of what the rate is. We would be satisfied with 10 per cent if that would give us sufficient protection.

Senator SIMMONS. I am trying to find out what protection we will give you by the adoption of the American valuation.

Mr. COLEMAN. Yes.

Senator SIMMONS. In your case it would be 100 per cent as against 40 per cent. It is 40 per cent in the bill, but potentially it is equal to 100 per cent.

Senator WALSH. I am going to ask the witness to leave this memorandum with us.

Mr. COLEMAN. I shall be very glad to do that.

It has been argued that because our present system has been in operation for over 100 years, it should continue indefinitely. The same argument is, of course, applicable to any change. And from the testimony you have heard of experts, you can see that they feel that it is possible in a short length of time to have the new law working smoothly.

The importers claim under American valuation they could not tell what their landed costs would be. So far as toys go, I have shown the prices can be ascertained six to eight months ahead, and by basing the duties on American valuation the importer would know what the amount of the duties would be. The uncertainty due to fluctuation in exchange would be eliminated.

I have attempted to show you how our industry has expanded while German competition was cut off by war conditions.

I have also shown that, in spite of improved manufacturing methods under the present condition of abnormal cheap foreign labor and depreciated currency, the foreign manufacturer is able to undersell the American manufacturer.

So far as the toy industry is concerned, I think that I have successfully answered the objections of the importers to American valuation. And I believe that if, as I have shown, American valuation is practical for the toy industry, it can be worked out for other

industries if the men who are acquainted with the peculiar conditions of each industry are called in.

Senator SIMMONS. You say that the appraiser would know the amount of protection and you would know, but the American citizen buying the product would not know. He would not know the amount of potential competition he was paying, would he?

Mr. COLEMAN. Possibly not.

Senator SIMMONS. I think it is a mighty good thing to let the American people know what they are called upon to pay.

Senator McLEAN. It seems to me that this American valuation would encourage that very thing. Now, it is laid on the wholesale price in this country?

Senator SIMMONS. Yes.

Senator McLEAN. We all know there is a very wide spread between the wholesale and retail prices. The profits are, in some cases, unconscionable. If we published the wholesale price to the American people wouldn't the tendency be to reduce the retail price?

Mr. COLEMAN. I would not be surprised.

Senator SIMMONS. There is not likely to be much publicity given to that matter.

Senator McLEAN. Well, I think the American people to-day are getting restless—

Senator SIMMONS. Oh, I think they are, too.

Senator McLEAN (continuing). Over the unconscionable prices they are paying.

Mr. COLEMAN. I might add that one of the favorite arguments of the jobber or retailer, when you ask why they prefer to get imported merchandise, is that they can make a bigger profit. I might add, also, that these trains which I procured by chance—I got them without realizing this fact—had no marking showing the country of origin. There was a wrapper on this package here, but it was merely the packing wrapper which would not be shown on the retail shelf. That showed that it was made in Germany. I have gone over the box very carefully. Here is a label with nothing on it. There is nothing on the bottom of the box; nothing on the cars, and nothing on the engines. That is the kind of competition we are up against.

Senator WALSH. They sometimes mark American manufacturers' names upon them, do they not?

Mr. COLEMAN. As an example of that, I might cite this: The Daisy air rifle is made in Plymouth, Mich. That company out there had some air rifles returned to it to be repaired. They were sent to the repair department. The report came down that these rifles were not made on their dies. The head of the concern went up and he said, "I can not understand that; they are Daisy air rifles." Investigation of the matter showed that they were made in Japan and that every single part had been duplicated.

Senator WALSH. They also make Spalding's baseballs and bats. Have you been in the export business?

Mr. COLEMAN. Yes.

Senator WALSH. Of course, during the war that business increased?

Mr. COLEMAN. Yes.

Senator WALSH. How much?

Mr. COLEMAN. Our total export business last year was over \$150,000. I am including Canada.

Senator WALSH. What was it in 1914?

Mr. COLEMAN. Nothing.

Senator WALSH. To what countries did you export?

Mr. COLEMAN. Practically every country on the globe—South America, South Africa, China, etc.

Senator SMOOT. How many foreign orders have you now?

Mr. COLEMAN. We have none, with the exception of one order from England.

Senator SMOOT. Does that amount to very much?

Mr. COLEMAN. Approximately \$5,000.

Senator WALSH. That is the amount of this year's business?

Mr. COLEMAN. Yes.

Senator WALSH. This year's business?

Mr. COLEMAN. That is practically all we have to-day. We have had a few sample orders. We still have some of our Canadian business.

Senator SIMMONS. Have you made an effort to put goods on the foreign market?

Mr. COLEMAN. Yes; during the war and up to the present time, we have spent over \$10,000 in advertising. We spent \$3,000 in making special design cars.

Senator SIMMONS. Did you sell any to England during the war?

Mr. COLEMAN. Yes.

Senator SIMMONS. How many?

Mr. COLEMAN. You probably know that they had an embargo part of the time. You could not take toys into England. In 1915 we shipped approximately \$7,000 or \$8,000 worth of goods into England. Last year we had orders for over \$30,000 of goods for England. Subsequently, their order was canceled, when German goods began to come into the market.

Senator McLEAN. Has England an embargo on German toys now?

Mr. COLEMAN. I can not tell you. They have had it.

Senator WALSH. This condition to which you refer is due to new competition since the war, and also to curtailment of purchasing power?

Mr. COLEMAN. Yes; in part.

I thank you.

The CHAIRMAN. We will now hear from Mr. Joseph F. Lockett. Mr. Lockett was on yesterday's calendar, but at the request of Senator Walsh he was carried over until to-day.

Mr. Lockett, you reside in the city of New York, do you not?

Mr. LOCKETT. That is a mistake, Mr. Chairman; I am from Boston.

STATEMENT OF JOSEPH F. LOCKETT, BOSTON, MASS., COUNSEL FOR NEW ENGLAND IMPORTERS AND TRADERS' ASSOCIATION (INC.).

Mr. LOCKETT. I am a lawyer and am counsel for the New England Importers and Traders' Association (Inc.).

The CHAIRMAN. In what line of endeavor are they engaged?

Mr. LOCKETT. In importing various kinds of merchandise which come into New England. This organization has 100 members and is incorporated under the laws of the State of Massachusetts. Our

president, Mr. Theodore Jones, of Jones, McDuffee & Stratton Co., and our secretary, Charles L. McAleer, of Jordan Marsh Co., both of Boston, Mass., are the committee who are with me.

The CHAIRMAN. Will you submit your remarks as briefly as possible, Mr. Lockett?

Mr. LOCKETT. Mr. Chairman, I shall be very brief, for I appreciate the patience of the committee and the fact that there are many other witnesses yet to be called upon.

My remarks will be addressed, not to any particular industry, but largely in reply to and against some of the arguments which have been made by the proponents of this legislation. My remarks will be largely upon the legal phases of the question.

The CHAIRMAN. You are opposed to the legislation, are you?

Mr. LOCKETT. Yes; we are most decidedly and vehemently opposed to the enactment of the proposed bill.

Senator SIMMONS. Speak out boldly. You may not have many supporters here, but you will find a few.

Mr. LOCKETT. I think you will have no trouble hearing me, Senator.

At the outset, Mr. Chairman, I think it is a safe assertion that the theory of any protective tariff bill is to provide for the difference in the cost of production, or the cost of labor, as between foreign markets and the home market. With that view in mind, there has been a tendency, I think, upon the part of the American manufacturers interested in this matter now before the committee, to be very zealous in their desire to continue, if possible, the maintenance of high prices and large profits, all of which does not work out to the benefit of the ultimate consumer, notwithstanding the fact that the American laborer may be employed at a reasonable and profitable wage.

The proponents of this legislation have advocated the adoption of this method upon two bases or for two reasons.

The first is the need of greater protection because of the depreciation in foreign currencies. They claim the American manufacturer and the laborer, likewise, is thus not receiving the same degree of protection which he would otherwise have received, or is entitled to receive; when the exchange is normal under the theory of any protective tariff bill.

With that phase of the discussion I shall not take the time of the committee, because Mr. Doherty, who is to follow me, is counsel for the National Council of American Importers and Traders, the head office being in New York, and he is, perhaps, one of the best-posted men in this country upon this situation, and he will address the committee. I may add that anything he says with regard to that situation has the approval of our association.

The second proposition which has been advanced by the proponents of this measure has for its foundation the alleged undervaluation now existing.

I have tried very hard to read all of the testimony which has been printed by this committee, and I attended the hearings here on last Wednesday and yesterday, but I have not as yet seen a single instance of any concrete proposition, the name of any particular importer, or the value of the merchandise upon which it has been alleged undervaluation has taken place.

The discussion, so far as I have been able to see it, has been entirely academic.

When, as has been said by Mr. Burgess in his testimony before this committee, it is alleged that there has been an undervaluation of about 25 per cent, it seems to me, Mr. Chairman, that, in the interest of fair play, in the interest of the importers, and to show their good faith, that 25 per cent should be carefully investigated to see whether or not it really exists.

I am going to refer for a moment to the testimony of Mr. Burgess given at the hearing on June 25, at which time, if I correctly interpret what he said—and I shall not attempt to read his testimony verbatim—it means that this percentage of 25 per cent of undervaluation was based upon the fact that out of a certain proportion of invoices which he may have seen, or of which he had knowledge, the importer raised his value upon entry, and because the importers complied with the law by entering his goods at what he supposed was the market value, Mr. Burgess alleges that this in and of itself is evidence of undervaluation.

The law prescribes, if the committee will bear with me for a moment, that the consular invoice must set forth the contract price for the goods. The law also provides, as you gentlemen well know, that the duty is to be paid at the price at which the merchandise is being freely offered for sale in the markets abroad. The importer is obliged upon entry to raise his purchase price to equal that of the foreign market value, and unless he does this, and the Government afterwards raises the value, and the case after going to the courts is eventually decided against the importer, a penalty is assessed in the sum of 1 per cent for every 1 per cent that the appraised higher value exceeds the entered value. The penalty, as it is called, is applied to the appraised value. The difference in duty between the appraised and entered value upon the particular commodity is likewise assessed at the rate of duty applicable to the particular commodity. So, in cases decided against the importer, the Government is enriched by the payment of the penalty and by the payment of the amount of difference in duty between the appraised and the entered values on the commodity in question.

Senator WATSON. Do you think the difference in exchange has anything to do with the tariff?

Mr. LOCKETT. I do not want to discuss that if I can help it, Senator. I want to confine myself to another phase of the question. Mr. Doherty is going to discuss that matter. Perhaps you were not here when I made that statement. If it is agreeable and you will not think me impolite, I would prefer to leave that to Mr. Doherty.

Senator WATSON. Of course; proceed in your own way, sir.

Mr. LOCKETT. So, therefore, before this committee seriously considers anything which has been said with respect to the alleged undervaluation the committee should ascertain and determine what undervaluation really is.

I would define it about as follows: Undervaluation is where an importer has deliberately intended to defraud the Government by not entering his goods at the value prevailing in the foreign home market, he knowing what said value is at the time he makes his entry. I think the word "undervaluation" unexplained implies

fraud upon the part of an importer. In this connection I want to say the Government has the power to reliquidate any entry, after one year, where fraud is shown.

While I do not happen to have the statistics at hand, I know that in the port of Boston these cases are very rare. At the port of New York, which is a large port of entry, such cases may be more common.

Senator WALSH. We, in Massachusetts, have retained our Puritan virtues.

Senator MCLEAN. That is, you let them in on the invoiced valuations?

Mr. LOCKETT. Not necessarily. It depends upon the fact as to whether or not the invoice price is the market price. I say that in Boston a man may enter his goods at the market price. We will assume, for instance, that he has raised the value upon entry. If he does raise the value of his own volition there is no penalty. The local appraiser has the right to appraise that merchandise, and when he has done so, if that appraisement is higher than the entered value of the importer, then the importer has recourse to the courts. He may then go before one of the judges of the Board of United States General Appraisers. Undoubtedly some of you gentlemen know some of them. Judge Fischer is one of them. There is a further appeal by either the Government or the importer from the decision of the one judge to a board of three other judges, and by protest the case may eventually go to the United States Court of Customs Appeals.

So I contend that this talk about undervaluation has become an obsession, I think, with some American manufacturers. They have heard of it so long by others that they really do believe it exists.

So far as I can find, there is not any evidence before the committee of undervaluations.

The statement of Mr. Burgess, on page 30 of the hearing of Monday July 25, is deserving of some comment. Where the importer has honestly complied with the law and has deliberately raised the price to equal the foreign market value, that can not be considered undervaluation. The only way to get at undervaluation is to find those cases reliquidated after one year and those other cases in which there has been evidence, outside of the official record, to indicate that was an intent to defraud the Government.

Mr. Chairman, in answer to the question asked yesterday by Senator Dillingham of a gentleman representing the American Textile Co., I want to say this. The Senator asked for some instance where undervaluation had occurred and in what way it affected his business. This witness did not attempt to define undervaluation or to refer to any particular instance. The fact simply is that he believed that American valuation had come to be quite a factor in this matter without being definitely able to put his finger upon any alleged undervaluation of merchandise which came into competition with his manufactured product.

Mr. Burgess was asked by Senator Simmons, as I recall the testimony, if, during previous discussions relative to a revision of the tariff—

Senator SIMMONS (interposing). It was the emergency tariff.

Mr. LOCKETT. I understood you to refer to the revisions in 1909 and 1913.

At any rate, Senator Simmons asked a question as to whether an agitation for adoption of the American plan had not been prevalent for many years. Now, the statement has been repeatedly made, as you Senators know, that the present system has been in vogue for a long time. That statement in and of itself is not an insurmountable objection to the proposed change. There is nothing in the record, so far as I am able to read, tending to indicate that undervaluation exists now any more than it has in the past; that undervaluations now are different from those that have existed for the past 100 years. So, therefore, the alleged undervaluation of foreign goods is not, in my judgment, a factor which should be seriously considered by this committee as a reason for this change, because there is no evidence before this committee upon which such a finding could be based. The statements of alleged undervaluations are mere assertions, mere conclusions, and are without any real basis or foundation.

I think, also, that there has been a tendency on the part of the American manufacturers to believe that because of the tremendous depression in business the enactment of the American valuation plan will prove to be a panacea for all ills.

I believe it was Senator Watson who on yesterday asked one of the witnesses what proportion of the business depression, so called, he would attribute to the importation of foreign goods, and he could not give a definite answer.

Senator SIMMONS. If you should take the testimony that we heard while considering the emergency tariff, in connection with some testimony as to the low costs of production in Germany, you would find there has been an increase in value and something very high akin to overvaluation.

Mr. LOCKETT. Yes.

Senator SIMMONS. Witnesses have testified here, for the Government, that German values in the port of New York were somewhat higher than before the war, and if they are making things at a lower rate or at a lower cost in Germany than before, those values must have been overvaluations.

Mr. LOCKETT. I suppose that may be so, Senator.

Most of the cases which I have tried before the courts—and I may say that I am a practicing customs attorney—

Senator SIMMONS. There was some intimation when we were taking that testimony, as I recall it, that they had deliberately valued the goods imported at higher rates because they wanted to get the price up as near as possible to the price in America.

Senator WATSON. That evidence was adduced under the dumping provision.

Senator SIMMONS. Yes; under the dumping provisions. In other words, they were coming over here and they wanted to get full advantage of the high market prices, and put on a high value, probably a much higher value, than in Germany.

Mr. LOCKETT. Of course, Congress took cognizance of that fact by providing that the export value should be used for dutiable purposes when said value is higher than the home market price.

Senator WATSON. That is a permanent provision?

Mr. LOCKETT. That is a permanent provision.

From a reading of the record I should say that these alleged undervaluations are charged merely in cases where a man has complied with the law. There is a wide variance in the testimony of the experts.

I believe it has been testified to that the alleged undervaluation was something less than one-tenth of 1 per cent, while Mr. Burgess put it as high as 25 per cent. I contend that before you can go to the people of the country and give them as a reason for the adoption of the American valuation plan that it is to prevent undervaluation the committee ought to be supplied with more concrete evidence of undervaluation than has been presented to it up to this time.

Let me make just one more point. I do not like the reflection which has recently been cast by these American manufacturers who feel they are, in a sense, in the position of the king who can do no wrong and, consequently, are not subject to the same criticism as some other people are.

Mr. Burgess also made this statement:

Second, the possibility of securing actual dutiable valuation would be greatly decreased. Instead of having to deal with foreign manufacturers and agents, whose interest is to misrepresent and who usually refuse to give information of any value, the American manufacturer and wholesale dealers, in whose interest the Government desires the information, would be not only willing but anxious to furnish such information as the Government would require.

I can not let that statement go unchallenged in so far as the people whom I represent are concerned. I do not think that there is any reason for assuming that the importer deliberately and intentionally tries to evade the revenue laws of the country. You gentlemen know the importers. You have seen many of them here. I will venture the suggestion that when it comes to the question of moral turpitude in the exercise of their business relations with the Government and with the people generally their standing will be quite as high and as free from just criticism as that of the American manufacturers.

Senator McLEAN. The point is you want to get your goods as cheaply as you can.

Mr. LOCKETT. That is right. We want to get them in honestly, though.

Senator McLEAN. But your incentive is entirely different from that which actuates the other man?

Mr. LOCKETT. Oh, I can not see that at all.

Senator McLEAN. You are a commission man?

Mr. LOCKETT. Not necessarily, Senator.

Senator McLEAN. I have no doubt that the men engaged in it are honest men, but the incentive is directly in opposition to that which actuates the American manufacturer.

Mr. LOCKETT. But isn't that directly contrary to your quotation of a moment ago?

Senator McLEAN. No; because your treasure is abroad.

Mr. LOCKETT. Our treasure is here. Our goods are here and our treasure is here. In that respect the importers are in the same position as the American manufacturers. Our goods are sold here and our profit is here.

Senator McLEAN. No; you must deal in American made goods.

Senator WALSH. The purpose of this bill is to reverse the incentive?

Senator McLEAN. I prefer to give the benefit of the doubt to the American manufacturer rather than to the German manufacturer.

Senator WALSH. I would like to give them both fifty-fifty.

Mr. LOCKETT. May I also add that I believe, as Senator Reed said the other day or observed in answer——

The CHAIRMAN (interposing). We heard Senator Reed.

Mr. LOCKETT. May I just use this for purposes of illustration?

The CHAIRMAN. It would seem to be repetition.

Mr. LOCKETT. But I want to use it as an illustration.

The CHAIRMAN. Well, as an illustration it will be admitted; proceed.

Mr. LOCKETT. Senator Reed said, in the hearing of Monday, July 25:

Well, just to clear it up, while there might not be the incentive to lower the cost of production, because that is already taken care of by the desire of the man to produce goods as cheaply as he can and make as much profit as he can, it is nevertheless true that the system suggested would have a tendency to remove the incentive or necessity for lowering the price.

I think that is an exact summary of the situation.

Senator Smoot had called attention to the fact previously that it would not necessarily follow that the price would be higher, but Senator Reed's definition of the proposed legislation that it "would have a tendency to remove the incentive or necessity for lowering the price," seems to express it exactly.

The CHAIRMAN. That remark did not apply to dyestuffs.

Mr. LOCKETT. It was made while Mr. Page was on the stand.

The CHAIRMAN. Well, we have that testimony.

Mr. LOCKETT. Another point I desire to make is this, that if, under the law as proposed, prices in the United States are to be taken as a basis and this legislation is to be adopted, I suggest, Mr. Chairman—and I sincerely hope it is a constructive suggestion—that it would be wise, fair, and just to enact, as a part of the law, a provision which will shift the burden of proof so that when the Government raises the value upon appraisement the Government will have to establish its case before the courts by a preponderance of the evidence that the value which it claims is correct. That is the reverse of the present practice. It seems to me, under the proposed law, the importer is going to be put at a decided disadvantage when it comes to trying to prove, as he now has to under the present law, that his entered value was correct. To do that he would have to go to the very men—dealers and manufacturers—who are chiefly responsible, perhaps, for having his goods advanced, and must ask them to testify or subpoena them into court to testify in his behalf. This would be unfair and prejudicial to his interests.

There has been a great deal of talk and testimony before this committee with respect to the inability to obtain evidence of foreign value abroad. I have been trying customs cases for many years and I have never had any difficulty. I might say that I have had no cases covering goods from Germany, with one exception. I have had no difficulty in obtaining information as to foreign values, and I know that the Government has not, in the cases which have come to my knowledge, had any difficulty in obtaining information about foreign values.

Mr. George C. Davis, with Mr. Otto Fix, who has done and is still doing a very constructive work in charge of the certified valuation report bureau of the appraisers' office at New York City, gathers information as to the values of goods entered at all the ports in the country, which information is disseminated among the various collectors of customs. They have those values, so that when the American manufacturers come to you and tell you of the great difficulties that exist in obtaining foreign values under the present law, I think their statements, in all fairness, may be said to be largely exaggerated.

Senator WATSON. We will be compelled to have a higher tariff.

Mr. LOCKETT. I think that is right.

Senator WATSON. Just a minute, if you please. We will be compelled to have a higher tariff on account of German competition more than on account of any other competition in the world, with the possible exception of Japan.

Mr. LOCKETT. I think that is right.

Senator WATSON. Suppose that we put a tariff on that will be sufficient to protect the American manufacturer from the German competitor, wouldn't that shut out the imports from every other country in the world?

Mr. LOCKETT. It might and it might not.

Senator WATSON. Wouldn't it be an absolute prohibition?

Mr. LOCKETT. It might or it might not, depending upon conditions.

Senator WATSON. No; would it not absolutely?

Mr. LOCKETT. I would say it would not absolutely.

Senator WATSON. Why not? If you put on a tariff sufficiently high to protect us from German competition and the German manufacturer is producing at a far lower rate or price than any other competitor, then, perforce, would not that prohibit competition from any other country in the world?

Mr. LOCKETT. On goods coming from Germany?

Senator WATSON. Could we get anything from Italy or England or France under those conditions?

Mr. LOCKETT. As to such goods as were made in England and not in Germany.

Senator WATSON. But what are they?

Mr. LOCKETT. I can not answer offhand. You asked me if there would be an absolute prohibition. I do not think there would be. I think there would be as to goods coming from Germany or similar goods made in other countries, but as to other goods not made in Germany, there would not be. Germany does not make every kind of merchandise in the world.

Senator WATSON. Not every kind, possibly, but a great many varieties.

The CHAIRMAN. Are you nearly through?

Mr. LOCKETT. One more word and I shall be through. I think a word or two should be said in behalf of the—

Senator SIMMONS (interposing). Just before you come to that: Is Germany making sufficient quantities of these toys to supply the American market entirely? If she is selling at so much lower prices than any other country in the world, then we would likely import only from Germany. If Germany is making toys way under what England is making them for, or any country, and the door is open to Germany in this country, we would likely import only from Germany.

Senator WATSON. It would be true up to the point of the supply made in Germany, but I suppose Germany makes only about half enough.

Senator SIMMONS. There is no question about her ability to make enough.

Senator WATSON. But she can not make enough to entirely supply the American demand, of course.

Senator SIMMONS. No; I suppose not.

Mr. LOCKETT. In conclusion, it seems that before this committee can conscientiously say that the American-valuation plan is to be adopted the committee would have to be satisfied from the evidence, just as it would be necessary for a court and jury to be satisfied, that the proponents of the bill have made out a good case; and in that connection I contend that the burden of proof is upon them to show that the change will be beneficial to the interests of all the citizens of this country. I think that they have not made out a case on the record. But, assuming that the committee differed from me and you feel that a case has been made, I would like to suggest that a provision for the estimation of the value upon which the duty is to be paid, as presented by experts, is a much better provision and a much clearer provision and will work out much better for all concerned than the provision now embodied in the pending bill.

Senator WALSH. Will you draft such an amendment as you speak of?

Mr. LOCKETT. I shall be very glad to, but what has been suggested is merely the repetition of a published document.

Senator SIMMONS. I was very glad to hear you say something about the importers. The importer, I may say, has been under suspicion in our hearings and has been looked upon as an undesirable citizen. If we eliminate the importer altogether, we would necessarily at the same time about eliminate the exporter.

Mr. LOCKETT. I do not see how you can help it, Senator.

Senator WALSH. And I do not think there is any desire to impute false motives.

Senator SIMMONS. I have heard it so often said around here "Oh well, that comes from an importer."

Mr. LOCKETT. Yes; that is true.

The CHAIRMAN. I want to assert for myself—and I hope I voice the sentiments of the committee—that, notwithstanding Senator Simmons's statement, I am approaching these questions with an open mind.

Senator SIMMONS. I think the chairman is, so far as I know. I want to clear him.

The CHAIRMAN. In view of the fact that the chairman has been cleared, the committee will adjourn at this time until 2.30 o'clock this afternoon, at which hour Mr. Doherty will be heard, followed by other witnesses.

(Thereupon, at 12.25 o'clock p. m., a recess was taken until 2.30 o'clock p. m. of the same day.)

AFTER RECESS.

Senator McCUMBER (presiding). The committee will come to order. Mr. Doherty, I believe you are the next witness on the list.

STATEMENT OF THOMAS J. DOHERTY, REPRESENTING THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS, NEW YORK CITY.

Senator SMOOT. What is your residence, Mr. Doherty?

Mr. DOHERTY. New York City.

Senator SMOOT. Whom do you represent?

Mr. DOHERTY. I represent the National Council of American Importers and Traders. That is an organization that has at present over 300 members who are located in practically all the large cities of the country and in some of the smaller cities.

I should like to explain, because of some questions relating to the character of organizations represented here, that this is no mushroom concern, nor was it formed for the purpose of spreading propaganda. In the early part of this year when some proposed legislation was discussed it excited a great deal of interest among those who were concerned, among merchants who were importing foreign merchandise, and many questions were asked and a good deal of correspondence ensued. It finally became obvious that it was necessary for them to get together and have a meeting and exchange views and determine for themselves whether any of this proposed legislation was or was not inimical to their interests. As a result of that the organization was formed, and it is incorporated under the laws of the State of New York. It is intended to be a permanent organization for the purpose of rendering what services we can, both to the importing fraternity and to the Government, in connection with imported merchandise. From the appearance of things I am inclined to believe that the importers will need all the assistance, both human and divine, that they will be able to summon to their aid.

During all this discussion as to the proposed change in the basis of valuation this organization did not take any stand, because the preamble to its constitution declares that it does not and will not take any stand on public questions until such matters have been fully discussed and their bearing on the welfare of the importing interests fully considered. Consequently, our organization did not go on record as to this matter until there was an actual concrete piece of legislation presented.

The phase of the domestic valuation question that is presented to the committee is, of course, contained in section 402 of H. R. 7456, which directs that imported merchandise shall be appraised for duty on the basis of comparable and competitive American products; and, briefly, if there is none such, then the appraising officers are authorized to use any means, or all means, or no means at all, to determine the value. The grant of power to these appraising officers under the second half of this section 402 is absolutely amazing; it is appalling; and so is the responsibility which it casts upon them. Consequently, to this section 402 I shall address my remarks.

Senator SMOOT. You would not object to having an amendment to the House provision requiring in such a case that the importer make an affidavit as to the price at which the goods were to be sold?

Mr. DOHERTY. Senator, you do not need any affidavit. The trouble is that the importers will not be able to give that.

Senator SMOOT. Are you opposed to that?

Mr. DOHERTY. You can not put a prophecy in an affidavit.

Senator SMOOT. But are you opposed to that being done?

Mr. DOHERTY. Opposed to what?

Senator SMOOT. The importer making an affidavit as to the price at which he sells the goods in America, just the same as he is compelled to-day to make an affidavit as to what the invoice price is in foreign countries.

Mr. DOHERTY. No; there would not be the slightest objection to that if he knew, but he could not control the future course of prices.

In respect to this section 402, it is utterly impractical and impracticable. It is unsound economically. It is not in harmony with the canons of good business at all. And without making the language too strong, I think it is really the most monstrous piece of legislation that has ever been put out by either House of Congress in connection with tariff matters. It is unworkable as it stands.

Senator SMOOT. Otherwise it is all right?

Mr. DOHERTY. I have a few more things to say about it. I am going to point out categorically some of the objections that we have to this section 402, and then I shall discuss them. In the first place, it does not comport with the facts and with the realities of international commerce. It does not fit in with the transactions of business life. It can not be made to apply to business as it is conducted and as it must be conducted. Secondly, it will undoubtedly result as it stands now in a substantial increase in commodity prices, and that just at a time when labor is being deflated, wages are being reduced, and then, again, it will arrest, to a very great extent, the downward trend of commodity prices to a normal level. It will bring this result because it will, to a very considerable degree, eliminate foreign competition.

It will especially hamper and restrict international commerce in this way: A great deal of international commerce consists of the taking of orders in this country for goods to be made in pursuance of those orders, which goods are not in stock, but which have to be made and will not enter into commerce in this country for six months or nine months after the orders are placed. It is manifest that if the prevailing American selling price at the date the goods are shipped from the other side will govern the basis of duty, the importer can not possibly know what the prices prevailing are or will be a year or nine months hence. Again, if there is no comparable American article at the time this order is placed, there may possibly be one made in the interim. So, therefore, he will not know whether his goods will be appraised upon the basis of this comparable price or not.

Right at the very beginning I want to call your attention to the language used in section 402. It says:

Except as otherwise provided by law, the word "value" wherever used in this act or in any other law relating to the appraisement or the classification of imported merchandise shall mean the price on the date of exportation of the imported merchandise at which comparable and competitive products of the United States are ordinarily sold, etc.

The first thing is what do you mean by "comparable and competitive"? Apparently, the articles must be both comparable and competitive. Now, what is the meaning of "comparable"? Not one of the proponents of this legislation—and by actual count you have had 25 of them before you—has ventured on a definition of "comparable"; and many of us have discussed the matter over and

over and we are unable to find out the meaning of the word. There is a word going into the law without any definition attached to it, a word that is clearly open to construction and to varied interpretations, and a word which, of course, will have to be construed by customs examiners. Frankly, I do not know what it means, and whatever it does mean, or whatever you gentlemen intend it to mean, ought to be put into the statute. Certainly it is a confession of impotence to write a word in the law and say, "We will get the courts to decide what it means." You must understand that the function of the courts in such cases is simply to give effect to your intent. Consequently, it must be your intent that will govern the courts. So why not express your intent right now?

Senator McLEAN. You prevent fraud by law, but you do not express in your act what constitutes fraud?

Mr. DOHERTY. Indeed you do. You will find it in this tariff act right here, in two sections.

Senator McLEAN. Generally speaking, I mean; in the common law and the statute law against fraudulent conveyances and all kinds of fraud you do not undertake to define what acts shall constitute fraud. That is for the court and the jury to decide.

Mr. DOHERTY. The definitions in criminal law are quite concise and precise as well, and certainly no man was ever yet convicted of any offense unless it was defined in the law. But, nevertheless, this word "comparable" must be defined. There are several interpretations of it, several possible constructions. It may mean identity or it may have a looser meaning. It may include articles that are not identical. There is cause for litigation right away. Supposing you were to construe it as meaning identical; that is, identical physically. You would have to have an American article of exactly the same material and the same size and for the same use and having all physical features exactly alike. If you were to limit it to that it would have really very little application. It is astonishing to find from the research we have made how very few articles that are imported are identical with articles that are made here. Nearly always you will find some feature that distinguishes them.

Senator McLEAN. You have to find the market value in foreign countries of similar articles.

Mr. DOHERTY. No; we find the market value of the particular article.

Senator McLEAN. But in the markets of the world. You may have articles that have no market abroad; their only market is here.

Mr. DOHERTY. Yes. We do not have to compare them with anything else. We do not have to determine whether they are comparable with any article here. In all cases now under the present law the act of appraisement is the ascertainment of the value of the particular merchandise that is under appraisement. This word "comparable," Senators, is really very dangerous. You must define it. You must say what it means.

Senator McCUMBER. What suggestion would you make with reference to a definition that would meet your views?

Mr. DOHERTY. I have not formed any views on that particular thing, because I think this whole section is not workable at all. It can not be made to run, in order words. If you wanted to extend that provision, of course, you would have to use some such words as

"similar" and describe the particulars in which the similarities must be.

Senator McLEAN. What difficulty would you have in assessing your rate on the articles we had here this morning—toy trains?

Mr. DOHERTY. That would be a matter of extreme difficulty, although there is a difference in those trains. The American trains were somewhat different from the foreign trains. They lacked certain features. Those features went to the essence of the valuation.

Senator McLEAN. I think if you were an appraiser you would be quite capable. I do not wish to over-compliment you, but I think you would be quite capable as an appraiser.

Senator SMOOT. He was an appraiser and quite a good one a long time ago.

Mr. DOHERTY. I have served my apprenticeship in the appraiser's office.

Senator McLEAN. I think if you had had that problem when you were an appraiser you would have found no difficulty in handling it.

Mr. DOHERTY. I defy anybody here to define that word "comparable" and make it workable. If you mean identity, why not say so? But if you mean identity, or if you prescribe identity, then you will have such a limited class it is not worth while to upset the whole tariff system of the United States.

Senator McCUMBER. Then, you would not use it if you wanted to make it a workable law. Now, I am trying to ascertain what you would suggest as the best word to use.

Mr. DOHERTY. Let us get through with the destructive criticism first.

Senator McCUMBER. I did not know but what you could answer that question. You say "comparable" is not the right word.

Mr. DOHERTY. I do not know whether it is or not because I do not know what you mean.

Senator McCUMBER. I am asking you what, in your opinion, would be the right word.

Mr. DOHERTY. It all depends on what you intend to do. If you intend that the American article upon which you are going to appraise the foreign article must be the same, that is one thing.

Senator McCUMBER. Those two dolls that were presented here were not identical, and yet they were comparable.

Mr. DOHERTY. They were comparable in size, for example.

Senator McCUMBER. And material.

Mr. DOHERTY. And comparable in material. If you use the word "comparable" in connection with a substantive, if you say comparable in value or height or weight, I know what you mean; but when you use the word broadly without specifying in particular what it must be, I do not know what you mean.

Senator McCUMBER. We import from Canada a great deal of grain into the United States, wheat, known as bluestem; we raise on this side Scotch fife, we raise on this side a grain that is called marcus. If you would look at them you could not tell them apart. Would not they be comparable?

Mr. DOHERTY. There are many different varieties of wheat.

Senator McCUMBER. Would you not say that one was comparable with the other?

Mr. DOHERTY. I do not know enough about those particular grains to answer your question, but certainly—

Senator McCUMBER. They are not identical; that is true.

Mr. DOHERTY. No; but a hard wheat, for example, grown in Canada is not comparable with the soft wheat grown in the United States.

Senator McCUMBER. No; but it is comparable with the hard spring wheat grown in the United States.

Mr. DOHERTY. Then you have identity.

Senator McCUMBER. No; it is not the identity, because it may be a different species, as I stated. One may be what they call bluestem and the other may be what they call marcus. They look very much alike.

Mr. DOHERTY. It is one of the favored arguments of the proponents of this legislation to resort to such things as wheat and copper and cotton, things that have a world market and a world value. If legislation were limited to them there would be no particular difficulty in administering it.

Senator McLEAN. They constitute about what percentage of the entire importations?

Mr. DOHERTY. It is very slight. I think we have stopped importing wheat since the 27th of May.

Senator McLEAN. Take sugar, for instance.

Senator SMOOT. Take plain woolen goods and plain cotton goods.

Mr. DOHERTY. Sugar pays a specific rate, so that is not affected by this legislation at all, but we do not import any plain cotton fabrics of any account. However, as to them, I dare say there would not be any great difficulty because you count the threads. The fineness of the yarns is what determines the value of those goods. So there you have an adequate basis for comparing them. The finer the yarn, of course, the more valuable the cloth.

Senator SMOOT. But it may be different in the warp and in the filling, and it may be twilled or plain. But they are comparable in order to arrive at a value.

Mr. DOHERTY. Again, I may be a bore, but I have got to get back to that because I think that ought to be cleared up.

Senator SMOOT. Yes; because time is flying.

Mr. DOHERTY. I am practically the first speaker on this side of the question, and you have already heard about 24 or 25 on the other side. I hope you will not limit me.

Even if you have identity, there are some refinements there. For example, you take two china dinner plates, both exactly the same size and made of the same ware. They will look to you entirely different because of the decorations thereon, and you say those are two entirely different things; but they are not. But those decorations consist of a certain number of colors and a certain number of printings, and that constitutes identity in their production and the cost of production. Assuming that both are equally attractive, the selling price would be the same. We have so many difficulties in connection with this rather loose phraseology that I felt it my bounden duty to call your attention to it.

If, on the other hand, "comparable" does not mean identity but permits the appraisers to use their discretion and to go far afield, then surely you have opened a Pandora's box of troubles and evils, the

end of which I do not believe any man can foresee. There is, I think, somewhere in these hearings a record of 261 examiners of merchandise in the United States.

Senator SIMMONS. What you mean is they may be comparable in some respects and not in other respects, and you do not know to what point to determine the question definitely as to whether they are comparable for purposes of levying this duty?

Mr. DOHERTY. Precisely. The statute as it is leaves it entirely in the dark. There are 261 examiners of merchandise, as I said, scattered throughout the United States. If you leave it to them to say whether one article is comparable with another, you are very apt to find serious differences of opinion and will find each examiner working in a different direction.

Senator WATSON. Does it not mean comparable up to a degree that it can be substituted in the market for the one to which it is compared?

Mr. DOHERTY. That is a still looser meaning, because you can substitute an aluminum spoon for a silver spoon with perfect satisfaction.

Senator WATSON. No; they must be comparable not only so far as shape is concerned but so far as material is concerned. You can import a pine table and a mahogany table. Are the two comparable? I do not think they are from a commercial standpoint, although they might be from the standpoint of size and shape. They are not comparable, as I understand it, from the term in this law.

Mr. DOHERTY. It is for you gentlemen to settle the meaning of the terms. As I said before, the whole aim of the courts is to ascertain the meaning of the legislators and give it effect. Why should you use a term which is so ambiguous and susceptible of different constructions and say lamely that you are going to leave it to the court to find out what you mean? This is the time to say what you mean.

Senator WATSON. We have not said that. I do not know of anybody that is saying we are going to put it in here with such a lame meaning that the courts will have to determine what it is.

Mr. DOHERTY. It is in here all right.

Senator WATSON. I thought you said that somebody on the committee stated that we were——

Mr. DOHERTY. No; I did not say that, but I did say that if you enact it into law the way it is now you are passing it up to the courts to decide what you mean yourselves.

Senator McLEAN. The courts have to define contracts in restraint of trade.

Mr. DOHERTY. Yes; but surely you do not want to write a statute here every word of which has to be litigated.

Senator McLEAN. The statutes that exist relating to tariff have had to be litigated.

Mr. DOHERTY. No; there are hundreds of paragraphs in the tariff law that never can give rise to the slightest bit of litigation because everybody knows exactly what they mean.

Senator McLEAN. It is a reasonable interpretation of the word "comparable."

Mr. DOHERTY. It is a reasonable interpretation.

Senator McLEAN. It has to be a reasonable interpretation of the word depending upon differing articles.

Mr. DOHERTY. Yes; but why do not you say what the meaning is here? Why not define it in the statute? Then you will not have to go into the courts.

Senator McLEAN. It is a difficult matter to say in the act just what conduct on the part of a person who perpetrates fraud shall constitute that fraud.

Mr. DOHERTY. The statutes do say so and they are very successfully enforced, too. Without going outside of our own tariff statutes there are section in there which have always been successfully invoked.

I wish to emphasize the point that under this section 402 every single importation can be litigated right up to the United States Court of Customs Appeals and even in a limited class of cases to the Supreme Court. So there you are confronting the commercial community with a law which right from the very beginning nobody knows exactly what it means, and you have to wait to find out what it means until you get into court. Every single appraisement under section 402 can be litigated, and the reason is that a construction of a written instrument or the determination of the meaning of words and phrases is a matter of law for the court.

Senator SMOOT. Every item of importation can be litigated. The importer has a perfect right to protest.

Mr. DOHERTY. No, Senator; not without reason.

Senator SMOOT. Certainly he has.

Mr. DOHERTY. If you have a provision——

Senator SMOOT. I do not say that he can win his case, but he has a perfect right to begin it.

Mr. DOHERTY. But he has no excuse for beginning it.

Senator SMOOT. That is another thing, and he would have no excuse under this, but he could begin it all right.

Mr. DOHERTY. I beg your pardon, Senator. Supposing the appraiser assumed comparable to include similar even to a very vague and indefinite extent. It would be the right of the importer to bring an action to recover money that was unjustly taken from him.

Senator DILLINGHAM. If it were one of that vague character would it still be competitive?

Mr. DOHERTY. It may well be.

Senator DILLINGHAM. Do you think it ordinarily would be, if it were so unlike it?

Mr. DOHERTY. Your statute requires them to be both comparable and competitive. "Competitive" in some ways is also a loose word.

Senator DILLINGHAM. That meets your difficulty if they are required to be both, does it not?

Mr. DOHERTY. No; the same difficulty would exist as to whether both conditions have been met, whether they are both comparable and competitive.

Senator DILLINGHAM. But where they have to meet both there must be a considerable degree of certainty, must there not?

Mr. DOHERTY. No; the difficulty is just the same. Take the case mentioned by Senator Watson of a pine table and a mahogany table. They might be competitive under certain conditions. They both answer certain conditions. If you could not get one you would take the other, and certainly a pine and a mahogany table would compete

with poor people. A man would like to have the mahogany table and could only afford the pine table, but he could stretch himself and buy the mahogany table.

Senator DILLINGHAM. Do you honestly think that is a fair interpretation of the questions that might arise under this tariff?

Mr. DOHERTY. Certainly, Senator. I know from experience. I was for nine years in the appraisers' office in New York, then four years secretary to General Appraiser Fischer, and then for 11 years I was a Government attorney trying cases, both classification and appraisement.

Senator DILLINGHAM. When you held office if that question had come up would you have considered it seriously?

Mr. DOHERTY. We had to consider all questions seriously.

Senator DILLINGHAM. But such a question as that, the difference between a pine table and a mahogany table being comparable and competitive.

Mr. DOHERTY. I did not say they were comparable.

Senator DILLINGHAM. I want to know if you as an official would have considered such a proposition as that seriously—that is, that they would be both?

Mr. DOHERTY. I would; because it was very dangerous to consider as frivolous any question raised. You were very likely to make a mistake if you assumed from the beginning that your opponent was only playing.

As this language stands now it is open to construction by the court, and it would be made a subject for litigation. So, therefore, it is unworkable as it stands.

There is another feature, namely, the price is in the principal market or markets of the United States. That would present a very serious difficulty in determining values.

Senator SIMMONS. Suppose it said comparable in its use and in its value. Would that help out any?

Mr. DOHERTY. Well, that would result in some very strange bed-fellows, because a great many things of widely different material and construction and value are used for the same purposes.

Senator SIMMONS. It seems to me that this bill means the thing that is not both comparable in its uses and in its value. You are directed to assimilate the value of the foreign goods to the value of a domestic product, and unless it is comparable in value it does not seem to fit this case. On the other hand, unless it is comparable in the uses to which that thing will be put when we get it here, it would not seem to fit this case.

Mr. DOHERTY. No; it would not, but it is value that you are trying to find out.

Senator SIMMONS. Exactly; therefore, they must be comparable as to value. That, I take it, would be assumed, but I do not see why the bill should not say that. If it said comparable in value and use, then I think you would have a standard by which you might determine whether there was that comparison, that relation, which this bill contemplates.

Mr. DOHERTY. I do not know whether that would help it a great deal, because you say comparable as to value. There is an unknown quantity. It is the value of one thing that you are trying to find. You assume that you know the value of an American article and you take that value and want to ascertain the value of the foreign article.

do you not? That is what the appraisement is for—to determine value. You would not have the value of it because that is an unknown quantity.

Senator SIMMONS. It is not to be assumed that we mean here that you are to go through this process of fixing the value of a foreign product unless that product bears some comparable relation to some American product with which it would be sold in competition.

Senator SMOOT. In other words, there is not an American merchant that goes abroad to buy goods but what knows the value of the goods in America and he compares those goods with the value of the goods in the foreign land. If the foreign goods are cheaper he purchases them; if they are higher he will not buy them.

Mr. DOHERTY. Pardon me, Senator Smoot; that is like many general statements; it sounds plausible, but it will not stand analysis.

Senator SMOOT. Everything I have bought I have had to know the value of, and I knew what competition I had to meet. If my judgment was wrong I knew what would come to me, and that was bankruptcy. And so it would be with every purchaser of goods from a foreign country if he did not know the value of the American goods.

Senator WATSON. Of course, these goods are comparable and competitive.

Mr. DOHERTY. Which goods—the Senator's goods?

Senator WATSON. Yes. This law is made to apply to comparable goods, that is, goods which are competitive. If they do not compete it does not matter.

Mr. DOHERTY. Then it would mean made of the same material.

Senator WATSON. No. Could not something else be made like it and of a like quality?

Mr. DOHERTY. Of course it could.

Senator WATSON. Then, it is comparable.

Mr. DOHERTY. That is the vagueness in your law.

Senator WATSON. And it is comparable for use and for price.

Mr. DOHERTY. There is the whole trouble; we do not know exactly what is meant by the word. You possibly have it in your mind. All I am asking you to do is to write the definition of it and tell us just what it does mean. Then, at least, we shall know how to proceed. You must know exactly what you mean. So this is the time and place to say so. Do not put us through a long course of litigation until we have reached the highest court in the land in order to determine just what this word means.

Another difficulty is that it requires value to be found in the principal markets of the United States. That presents a very practical difficulty. Of course, the obvious answer is that we have to do the same thing now under the present law; that is to say, we have to find the value in the foreign market. But that is a very much simpler process because most foreign countries are rather limited in extent as compared with our own country. Usually in European countries you can go from one market to another in a few hours, and there can not be any great discrepancy in the prices in the markets.

Senator SMOOT. That applies to all countries of the world, and that is as extensive as the United States.

Mr. DOHERTY. We do not now appraise goods in the world market. Goods take their value according to the price in the country of exportation.

Senator SMOOT. That is the world.

Mr. DOHERTY. If you buy goods in France, it is the market in France.

Senator SMOOT. And if they are comparable goods it is from the country that they come to. So you have to take the market price at places in the world from which you take the goods.

Mr. DOHERTY. I do not see that. If you are appraising French goods you appraise their value in the principal markets of France.

Senator SMOOT. Yes; and if the goods come from Germany, it is Germany; and if they come from England, it is England; and if they come from Japan, it is Japan. We have to know values, I think, in all countries of the world.

Mr. DOHERTY. But you do not have to compare prices in one country with prices in another country. Each country is a separate unit for appraisement purposes. Therefore, for France we only have to know what the value is in Paris, Marseille, or Bordeaux. They are only a few hours distant from each other. There can not be any great difference in price. But take our own country with its vast stretches of territory. The value must vary considerably in the different markets of the country.

That reminds me of the hearings before the Ways and Means Committee of the House last winter. I remember reading the hearings on the fish schedule. A man from the Northwest came and asked for a rate of 3 cents per pound on some kind of salt fish. He said he did not care anything at all about the cost of production; he only wanted that duty because he figured that was about equal to the freight rate from Seattle to New York. So the whole duty he asked for was the freight rate. He wanted to meet the Norwegian and Scotch and Irish fish in the harbor of New York on equal terms. That gives you some idea of the great difficulty there will be in determining the value in American markets.

Senator SMOOT. That is just exactly what we have met in every tariff bill under the valuation that is existing to-day. That same question of protection to cover the transportation to the centers of markets has been up every time we have had a tariff bill under consideration, and it will come up every time we have one under consideration.

Mr. DOHERTY. That man wanted to meet the European on even terms.

Senator SMOOT. Just the same as the California people want a duty on their lemons to meet the freight rates from California to New York, where the center of the trade is. There is something to be said in favor of that if you are going to try to get that market.

Mr. DOHERTY. I only adduce that as an illustration.

Senator SMOOT. But that is under existing law; that is under the valuation in foreign countries and not an American valuation. The American valuation will simplify that considerably.

Mr. DOHERTY. But you do not have to meet any such situation as that in a foreign country. There is no foreign country where one market is 3,000 miles away from another.

Senator SMOOT. There is. Take Germany and Japan or England and Japan. They are much farther apart than any market in the United States is from any other market in the United States.

Mr. DOHERTY. But you do not have to compare the markets of Germany with the markets of Japan.

Senator SMOOT. But you have to know the values.

Mr. DOHERTY. Of course you do, but here you do not have to make the common value for imports from Germany and Japan, but you do for the United States. There can only be one market value in the country.

Senator SMOOT. We can have the American value known just as well as we can know the value of all the other countries in the world.

Mr. DOHERTY. With all due respect to you, Senator, that is only an assertion.

Senator SMOOT. I say now without question of doubt in my mind that the appraisers can find the American value of goods as well as they can find the foreign value of goods in all of the different countries of the world.

Senator McCUMBER. Let me suggest to the Senators that there are a number of witnesses to be heard and we are scheduled to get through with them to-day. We will have to allow the witness to finish his testimony as quickly as possible.

Senator SMOOT. I agree with that.

Mr. DOHERTY. In respect to section 402 as it stands, I want to say that nobody can tell what the appraisers will do under it. You had before you Dr. Page, the chairman of the Tariff Commission, and you will find on page 12 (hearing of July 25) that he said a reading of the pending bill does not enable him to ascertain how the appraisers are going to ascertain the American value. That statement is from a man with a trained mind. If his erudition and experience do not qualify him to be able to spell out from this statute how the American price is to be ascertained, how can you expect the 261 customs examiners in the United States to do it? They have not had the advantages of training that Dr. Page has had.

Again, I quote Senator McCumber in his remark that he had been unable to find out from a diligent perusal of the Ways and Means Committee hearings any foundation for this statute. I defy anyone to find anything in the Ways and Means Committee hearings which will justify this enactment that they have framed.

Senator WATSON. That is not the fault of the proposed law itself: that is the fault of the hearings.

Mr. DOHERTY. The hearings are supposed to have afforded the groundwork for this legislation. There were public hearings announced last winter. There was no hearing held on the American valuation in the House. I should like to mention that fact.

Senator WATSON. We are aware of that.

Mr. DOHERTY. I am going to modify that even. There were on May 3 last, at the invitation of the chairman of the Ways and Means Committee of the House, quite a number of people gathered there, myself among the number, and there was a sort of symposium on the subject of American valuation. There was no precise statute discussed. It was simply a sort of an abstract proposition.

Senator WATSON. You can not complain of what we are doing. We are giving everybody a chance to be heard here.

Mr. DOHERTY. Yes, indeed.

Senator SIMMONS. Suppose you were required to find the American value of wheat. Which value would you take, the Chicago value, the Baltimore value, or the value that the farmer gets for it? I notice in the papers certain quotations from Chicago. I figured the other day the price of wheat in Baltimore and I found it was much less there; and there is a mill not far from where I live, and I inquired their price, which I ascertained to be 20 cents less than it was in

Baltimore per bushel. Take cotton. What market would you select? In New York cotton is quoted now at about 13 cents. The same cotton would be quoted at probably any of the southern ports at about 10 cents. That would be quoted probably at the farm at about 9 cents.

Senator SMOOT. Let us go and buy cotton. We will make more money than we can in any other way.

Senator SIMMONS. That is a fact, cotton sells all over the South for two and two and a half cents less than it does in New York. I am just asking what value the witness would take as to wheat. Mr. Doherty, would you take the Chicago value, would you take the Baltimore value, or would you take the value of the wheat on the farm?

Mr. DOHERTY. Frankly, I can not answer that question.

Senator SIMMONS. Is not that one of the difficulties?

Mr. DOHERTY. That is one of the most serious difficulties.

Senator DILLINGHAM. If that cotton were received at New York would there be any difficulty in determining what the market value of cotton was at that place?

Senator SMOOT. There would be no difficulty in determining what it would sell for in New York. He is required to ascertain the American price—

Senator DILLINGHAM. At the chief market, etc.

Mr. DOHERTY. In the principal market or markets.

Senator SMOOT. That is not a mill down in North Carolina.

Senator SIMMONS. They are among the principal markets.

Senator SMOOT. Do you mean for wheat?

Senator SIMMONS. No; for cotton.

Senator McCUMBER. I suggest that the witness be permitted to answer this one question. That is a fair example. Minneapolis is a great center for wheat in wholesale quantities. So is Chicago, and so is Buffalo. Now, there are three great wheat markets. Suppose that the prices were different to-day in each one of those markets. Which one would you take on a given day, or would you add the three together and divide the three in order to get an average? What would be your system of determining the market value under the provisions of the bill?

Senator SUTHERLAND. The difference is almost entirely a matter of freight rates in regard to wheat?

Mr. DOHERTY. Not entirely.

Senator McCUMBER. No; everything sold on the exchange goes up and down according to certain influences of bulling and bearing the market, and they fluctuate very materially between those three points in prices. Under the bill, how are you going to arrive at what the value would be in those three principal markets on a given day?

Senator SIMMONS. Will the Senator permit me to supplement this? New Orleans is a great cotton market, and New York is a great cotton market. I think it is notorious that the New Orleans price is very much less always than the New York price. Which of those two would you take?

Mr. DOHERTY. Supposing two cargoes of cotton happened to arrive just about the same time, one in New Orleans and another in New York. They are both principal markets, if you like; but the price is different in each market. This bill does not throw any light on that. I submit that this bill does not afford any answer to that

question at all; nor can we find any answer in the reported decisions. There have been decisions defining the principal markets. In one of those decisions there was a question as to the market value of some dyestuffs.

Senator SMOOT. I do not know why you are discussing it, because cotton, if it had any duty, would have a specific duty, and wheat has always had a specific duty.

Senator SIMMONS. It is just an illustration of the difficulties they would have.

Mr. DOHERTY. Yes; I understood that was the purpose of the question. If we assume that cotton had an ad valorem rate, for example, how would you appraise those two cargoes, one arriving at New Orleans and one arriving at New York, both of them being principal markets of the country?

Senator SMOOT. I do not think there would be any difference in the two markets at all. I do not think there is any difference to-day in the different markets. On the retail price there would be, and when you sold to the mills there would be.

Senator SIMMONS. I venture to say that you can not find in a year's examination of the market reports in New York and New Orleans and Norfolk one in which there is not a difference as to the price in all three of those places.

Mr. DOHERTY. Even a slight difference would make a very considerable value in the appraisement of the merchandise, and with the very high basis of valuation that you are adopting here the rate of duty imposed would result in a substantial sum of money. So it is not an idle question or a mere academic question; it is a very practical question. Above all, I think it is an uncertainty that pervades every part of this section. A man does not know what is going to happen. A merchant does not know what his costs are going to be. He does not know what his goods are going to cost him landed. The business world already is in a condition of great confusion and disaster. This will only precipitate a chaos in which the customs officials and business men will be floundering around helplessly. It is a most inopportune time to change this system of valuation.

Senator SMOOT. Other countries have no trouble whatever with it.

Mr. DOHERTY. Other countries are not trying such a thing as this.

Senator SMOOT. I am going to put in the record a list of the countries that are doing it now and have been doing it all the time.

Senator SIMMONS. I think, Mr. Chairman, the committee understands Mr. Doherty's position on this phase of the matter. There are two other important phases that I would like to get him to discuss. The first question is one that was discussed here this morning. It relates to undervaluation. The second question relates to exchange.

Mr. DOHERTY. That undervaluation is a bugaboo that has been invoked at every tariff hearing since time out of mind. There have always been allusions to undervaluation, but no man has yet come forward with any concrete facts in that respect.

Senator McLEAN. Let me call your attention to one now. This is taken from the official statistics of imports and duties, and it relates to the valuation of silk and the manufactures of silk. Take sewing silk and silk thread of every description. Under the act of 1897, in 1910 the value per unit of quantity withdrawn was 76 cents per pound.

Mr. DOHERTY. Pardon me. You said under the act of 1897 and in 1910. How could that be?

Senator McLEAN. I am speaking now of the act before the Payne-Aldrich Act went into effect.

Mr. DOHERTY. That was in 1897.

Senator McLEAN. Yes; the act of 1897.

Mr. DOHERTY. Well, how could the importations be of the year 1910 when you had a new act on August 5, 1909?

Senator McLEAN. In 1908-9 the ad valorem rate on this product was 30 per cent.

Senator SIMMONS. That was the Dingley rate?

Senator McLEAN. Yes. It was valued at 76 cents per unit. That same year when the Payne-Aldrich Act went into effect this product carried a specific duty of \$1 per pound. This same product came in that same year at \$2.99 a unit. The value of this product withdrawn from the customhouse was increased from 76 cents a unit to \$2.99.

Mr. DOHERTY. How about the respective quantities?

Senator McLEAN. This is the average on this article, sewing silk, twist, floss, and yarns of every description. In 1914 the duty changed from a specific duty of \$1 per pound to 15 per cent ad valorem. In 1918 the process of reduction continued until it came in at \$1.63 per unit, and it had increased in value more than 300 per cent during that time.

Mr. DOHERTY. Under an ad valorem rate it came in at \$1.63 per unit?

Senator McLEAN. Yes; that is the unit value, and it had increased in value over 300 per cent, whereas in 1913, under a specific duty of \$1 per pound it came in at \$2.99.

Mr. DOHERTY. That is taken from the book of statistics of imports and duties?

Senator McLEAN. Yes. How are you going to explain that?

Mr. DOHERTY. You can go through that book taking one article after another, and you will find most amazing inconsistencies. I have often noticed that myself. I have gone through it time and again and I have seen the same articles some times at 20 cents and some times at \$2. The only surmise I can make is that they are due to varying conditions of trade or extraordinary transactions.

Senator SMOOT. But it always happened when an ad valorem duty is assessed and following a specific duty, or vice versa. It always happens when that change is taking place.

Mr. DOHERTY. With all due deference to you, Senator, have you gone through it so carefully that you can say it always happens that way?

Senator SMOOT. I have not gone through it every year, but I know that whenever a change is made in the rate of duty that same thing happens, particularly with silk.

Mr. DOHERTY. Goods that pay a specific rate of duty are not appraised at all, as a matter of fact.

Senator SMOOT. Yes; we appraise them and they are appraised when they come in on the invoice so as to keep the amount of importations into this country.

Mr. DOHERTY. They are not appraised with the same exactness.

Senator SMOOT. They give the actual value, I think, then, but when there is an ad valorem duty they get them in here as cheaply as they can.

Mr. DOHERTY. That may be entirely legitimate.

Senator SMOOT. You were here in 1909, were you not, when we were making the tariff

Mr. DOHERTY. I was with the Ways and Means Committee; I used to come over here to see Senator Aldrich.

Senator SMOOT. You know we had quite a time then with this undervaluation proposition, and I think you were interested in it at that time.

Mr. DOHERTY. I am very deeply interested in it.

Senator SMOOT. But you say it is all a bugaboo.

Mr. DOHERTY. I did not say that.

Senator SMOOT. I thought that was the word you used.

Mr. DOHERTY. I said that great bugaboo of undervaluation is always raised and is being played up now to the nth degree, but I do not think it is justified by anything in the way of facts or records. I know something about that, because I was fighting undervaluation for 11 years. In fact, I was very much surprised to see appearing here the other day an American manufacturer whom I had prosecuted for undervaluation and recovered a pretty good judgment.

Senator SMOOT. That fellow was an importer?

Mr. DOHERTY. That is when he was moving over to this country and bringing his machines in. Now, he is accusing everybody else of that rascality, just the same as some others here have done. But there is not any such great amount of that undervaluation as people would have you think. That has been advertised very largely. I recall seeing in these hearings what was said to be a copy of a speech delivered to the Berlin Chamber of Commerce. I recognized that as an old friend. I took the trouble to go through my old tariff papers, and I found one pamphlet which contained that speech. It was not dated. However, I could tell from the contents that the pamphlet was printed while the act of 1897 was in effect.

Senator McCUMBER. Mr. Doherty, you and the Senators together have now consumed one hour out of the two and a half hours that we have allotted for this afternoon, and there are eight other witnesses. So, I think that you will see the necessity of making your statement as brief now in closing as may be, so as to give these others an opportunity.

Mr. DOHERTY. Senator, it has been my effort since I started to make it brief.

Senator McCUMBER. I stated that "you and the Senators together."

Senator McLEAN. I do not think he is responsible for the time consumed.

Senator McCUMBER. Certainly not.

Senator SIMMONS. I want to say that the reasons I have asked him questions and the reason I asked him more questions than heretofore is because out of the great number of witnesses who have appeared he is the second witness who has appeared here against the American valuation plan since I have been attending the meetings of the committee. I was not here every day last week.

Senator WATSON. He is a man of large experience.

Senator SIMMONS. He is a man of large experience. I think, in view of the fact that there has been so much testimony of so many witnesses in favor of this, that when we get a witness here who opposes it we should give him ample opportunity, and we ought to ask him questions.

Senator McCUMBER. We have a little responsibility to those other witnesses who have been subpoenaed to be here to-day and to give their testimony to-day, and who probably have business in other sections of the country. And my appeal was rather that we allow this witness to complete his testimony rather than the testimony of Senators.

Senator McLEAN. If he has any suggestions on the subject of this plan, I want to hear it.

Mr. DOHERTY. I am answering now one of the questions propounded by Senator Simmons—that is to say, about undervaluation—and, just as showing the quality of the propaganda against undervaluation, I was about to cite this supposed speech made in Berlin in 1905, which was trotted out before the Ways and Means Committee when Mr. Payne was chairman, in hearings under date of December 1, 1908. Once more when the Simmons-Underwood bill was under consideration it was printed in the hearings without any date at all; that is, in 1913. I find also that under date of November 6, 1917, it was once more presented through the Tariff Commission when it was considering this change to the domestic valuation basis. Again, you will find it in the hearings held last winter by the Ways and Means Committee, and, finally, here it has bobbed up once more, without any date, in the hearings of last week.

I submit that is not evidence of undervaluation. It looks terrible on its face, but that has no probative value now.

Senator McLEAN. You will admit that when a standard product like silk thread is increased in value over 400 per cent in a single year because of the change from ad valorem to a specific rate of duty that it looks "terrible."

Mr. DOHERTY. No; it does not look terrible. I have thought out that it can be explained on perfectly legitimate grounds. It is impossible in my mind that there should be any such gross undervaluation as that, because to admit that would be to convict our appraisers of being fools, imbeciles, idiots, or worse.

Senator SMOOT. Undervaluation in china has been just about as bad.

Senator SIMMONS. Has the amount of undervaluation, assuming that there has been some abuse in the matter of undervaluation heretofore, and I think there is, because, as you say, that constantly when these tariff duties have been up there has been some talk about undervaluation, some discussion on that subject—but we have never come to a plan as a result of those discussions—is that evil any greater to-day than it was when the Underwood tariff bill was adopted, and the Dingley bill was adopted, or when the McKinley bill was adopted, and when the Morrill bill was adopted?

Mr. DOHERTY. I say unhesitatingly, no. I think that by this time the appraisers have become more and more skillful in their duties and their quality has been very much improved. I might say of their knowledge on foreign values, it is almost uncanny, and the sense of values they have acquired in the course of their training is marvelous.

Besides that—always excepting the war conditions—our sources of information are getting better; they are not as good as they ought to be. But that can be remedied by increasing the number of agents that we send abroad, and also, if I may say, in being particular about their personality. Right on that point I want to cite some-

thing that is absolutely authentic. Only a few days ago in New York I met Examiner Patton—Senator Simmons may remember him—who was assigned for his committee in 1913, from the New York appraisers' office, a very high-grade man, one of the best examiners in the whole service, who had just returned from the Madeira Islands, having been sent over there to look into the production of Madeira embroideries and their proper appraisement, and he told me that while he was there he was not only shown freely all of the books of the men who export to America, but even the Swiss and French firms opened their books and told him to go right through them. There is no doubt in my mind that with men of a proper personality we should be able to secure all the information that we require abroad.

Senator SMOOT. Do you mean to go into the books to learn what the cost of these things is?

Mr. DOHERTY. I think so far as determining the actual sales prices are concerned, yes. I think they will show you the books.

Senator SMOOT. I know that two of the representatives of two of the very important Governments, when the emergency tariff bill was up, came before the committee and said their countries did not want any such legislation, and that they would retaliate if it was undertaken to be put into law.

Mr. DOHERTY. And that is quite right. I do not think you ought to put it into the law, because as it is in that law now it is wholly inoperative—the one that requires exporters to show their books. You provide there that if an exporter fails to show his books, the man who receives his goods here is going to be punished. That will not stand in law. I know that I am surrounded here by lawyers, but I make that statement without any hesitation. You can not punish A because B can not compel C to do something. The transaction between the American buyer and the European seller may be complete. There is no longer any privity of interest between them. Now, then, can the American purchaser compel the foreigner to show his books to a special agent? He can not do it.

Senator SMOOT. I agree with you.

Mr. DOHERTY. You can not punish me because I do not compel my foreign vender to do that.

Senator SIMMONS. It has been claimed here that our great trouble is in meeting German competition, and it is claimed that that is because Germany is now making goods so very cheap, that even they are cheap as compared to the cost of producing those goods before the war; that they are selling very cheaply in the foreign markets, which market price you would have to take in appraising now. I want to ask you this direct question: Do you know whether the German goods that are being imported here now are valued at more or valued at less; that is, whether they are invoiced at more or invoiced at less than those like goods from Germany were in the days before the war?

Mr. DOHERTY. As to that, I can refer you to the archives of this committee.

Senator SIMMONS. Are they making them very much cheaper now than before the war?

Mr. DOHERTY. That question ought to be considered *res adjudicata*, so far as this committee is concerned. It has been tried out before this committee in April last in the hearings on the antidumping bill.

Good, high-class evidence was presented here showing that in point of fact German goods are being imported into this country during this present year at higher prices in dollars than they were in 1914.

Senator SIMMONS. In gold dollars?

Mr. DOHERTY. Real money, gold dollars; yes, sir.

Senator SIMMONS. Therefore, if goods are selling cheaper in Germany now than they were before the war, they are being overvalued here instead of undervalued.

Mr. DOHERTY. That simply is not so. I have enough personal intimate knowledge of merchandise from that country to be able to say that the prices are ever so much higher than they were before the war.

Senator WATSON. In gold?

Mr. DOHERTY. Always in gold.

Senator SMOOT. But not as high as American goods?

Mr. DOHERTY. Then, simply, you have cause for the application of a new differential. If the difference between them is not sufficiently bridged by the duty, you will have to raise the duty.

Senator SMOOT. But in these very goods you are speaking about as being imported into this country at higher value, you know that Germany places as high as a 100 per cent tax upon those goods exported. If they want to cut the price, Germany can reduce 100 per cent, and she will do that if it is necessary to get the market, and that is why the goods, some of them, come into this country at higher prices than she is selling her goods right in her own home market. You know that to be the case?

Mr. DOHERTY. I know it.

Senator SMOOT. And that tax is imposed upon the goods that are exported. But if it becomes necessary to meet the competition in this country, she will do that.

Senator SIMMONS. We are inquiring right now as to the question of undervaluation. If Germany is invoicing these goods here very much higher than they sell for in Germany, then that is not an undervaluation; that is overvaluation, is it not, for the purpose of taxation?

Mr. DOHERTY. It certainly is.

Senator SIMMONS. And that is what we are discussing here—undervaluation for taxation here, or overvaluation for taxation here.

Mr. DOHERTY. When those goods are invoiced at such high prices the Government gets higher duty and the American manufacturers get high protection. But, as I said before, that is all in the records of this committee. I refer you gentlemen to the hearing of April 22 last on the bill H. R. 2435, where there is a full statement, name, and description of the exhibits, and the proof positive that the goods are being bought now in dollars at higher valuation than they were before the war. That has been proved to a mathematical certainty, and it does not make it any stronger to say it over and over again.

Senator SIMMONS. The reason I wanted that repeated to-day was that I was afraid some of my colleagues on the committee had forgotten it. [Laughter.]

Senator SMOOT. In reference to comparison of cost of goods in 1914 and to-day, of course, there is no comparison. It cost us 100 per cent more to make goods in this country. That is not the question.

Mr. DOHERTY. Oh, on some products 200 or 300 per cent. The German cost has gone up 400, 500, 600, and 700 per cent—in some instances 10 times as much.

Senator SMOOT. It may be on a piece of lace; but not the regular goods which people buy.

Mr. DOHERTY. I am not surprised if Senators have forgotten, because for the last week it has been dinned into their ears that Germany is getting labor for nothing and shooting goods over here at a fraction of their prices, as much as to say the appraisers are all asleep; in fact, some of the domestic witnesses had the affrontery to say that the appraisers did not appraise at all. And some of those fellows were in combinations here to keep up the prices and during the days of the war, when they had things all their own way, they were a mighty autocratic class.

Senator SMOOT. You better give the names.

Mr. DOHERTY. The toy manufacturers, Ives, Lionel, and others. They have not given the names of the undervaluers. They ought to do it. The chief special agent is in this room and has been here for some days. Men appeared here and talked glibly about undervaluation. Why do they not notify him, and he will get after them right quick. That is what he is there for. I wish he would get the collector of the port of New York to subpoena some of these men to make good on their talk, which, I believe, is done with deliberate purpose to deceive this committee.

Senator WATSON. Congressman Mott made a speech in the House on the 14th of July, on page 3955 of the Record, where he starts in and gives one instance after another of undervaluation. I do not know anything about it. My attention has just been called to it—mostly on importations of china.

Mr. DOHERTY (looking at the Congressional Record). That is all old stuff, on importations of Limoges china from France.

Senator WATSON. You do not suppose that that Representative goes back to 1910 and gives that by way of illustration?

Mr. DOHERTY. He does—1908 and 1911—all ancient history. That is what I say, all this old stuff is brought up all the time.

Senator WATSON. Then it is not very valuable evidence.

Mr. DOHERTY. That is of no use; it is a closed chapter. Some of those men were punished and some escaped punishment.

Many of those actual undervaluations do not involve any moral turpitude at all; they are merely technical. Sometimes a man who has made a purchase does not know that three or four others have had to pay more than he has. He is a very good buyer, and minding his own business strictly, quite satisfied to get a good bargain. Yet the first thing he knows, when his goods arrive in New York, they are raised.

I had the same experience myself, if you will bear with me a moment. During the war, of course, the supply of fancy goods from Germany was cut off, and particularly these glass balls which you hang on Christmas trees. Therefore the house I was connected with resorted to Japan, and a man went over there in good time to get good prices, placed orders, and they proceeded to fill them, and we had several shipments. Then another shipment came along, and, lo and behold, we were raised about 50 per cent, because the appraiser thought our goods were too low; and successive shipments were so advanced. I was quite at a loss, but finally it turned out that those Japanese manufacturers had actually taken the goods

which they had made for us, and which they had contracted to sell to us for low prices, and had sold them to some eleventh-hour customers, the big department stores, who had rushed over to buy goods for Christmas, and offered almost any price. These canny Japanese sold to them the goods that belonged to us; and for that reason we lost not only the merchandise, but we were jacked up by the appraisers and suffered several thousand dollars penalties.

That would be included, Senator, among the undervaluations. But it is purely a technical undervaluation. Under a law that tempered justice with mercy, we ought to have been excused from any penalty. But the law is inexorable and there could be no exception made:

Senator SMOOT. I do not think that is undervaluation at all.

Senator WATSON. When tourists come back and bring in goods, are those goods appraised on their wholesale or retail value?

Mr. DOHERTY. Theoretically on the wholesale price; that is the law.

Senator WATSON. What do you mean by "theoretically?" It is a practical question.

Mr. DOHERTY. The law says the duty shall be imposed upon the wholesale prices.

Senator WATSON. The law squarely states that?

Mr. DOHERTY. Oh, yes—at the usual wholesale price.

Senator WATSON. I did not know that; that is something new to me.

Mr. DOHERTY. A great many passengers do not know it, and in the rush of passing baggage it does not come up. But the next time remember that, that you are entitled to have the goods appraised on the wholesale price.

Senator SIMMONS. Mr. Doherty, are you going to address yourself to the other objection, growing out of difference in exchange?

Mr. DOHERTY. I do not think that is necessary, Senator, because upon that I call your attention again to the hearing of April 22. That was all fully covered. There has been no change in the conditions either in this country or in foreign countries since then.

I am sorry to say that a neighboring Government, Canada, has followed the evil example that the House of Representatives set at that time, and has enacted a currency law which forbids any depreciation of more than 50 per cent. They already feel they made a great mistake in that. I was in Ottawa two weeks ago and talked with the commissioner of customs there in connection with that.

Senator SIMMONS. What was that law?

Mr. DOHERTY. They provided that the collector of customs shall not permit any greater depreciation than 50 per cent from the proclaimed value.

Senator SMOOT. Twelve cents a mark?

Mr. DOHERTY. Twelve cents a mark, or 9 cents a lira. The result is that they have shut out goods from Germany, Italy, Austria, and those central European countries generally. There is a very striking similarity between the environments of tariff legislation in the two countries. At the elbow of the minister of finance there was a representative of the Canadian manufacturers who egged him on to this, and he accepted the advice of the Canadian manufacturers' representative against the advice of the minister of customs and the commissioner of customs. They warned him that the legislation was not advisable, but he chose to ignore their advice, and the result is that they are not getting the goods they want. Instead of getting a large

revenue from those goods, which this interested party assured the ministers they would get, they are getting none at all. And they listen with a very sympathetic ear to suggestions that there might be some way to bring those goods in in another way.¹

Senator SMOOT. I received a letter the other day in response to a letter I wrote as to how the law was working up there—this very law—and stated very differently from what you have said, and I do not know but that I had better put it into the record.

Mr. DOHERTY. If it is contrary to what I say, it is contrary to the statements to me by the Canadian commissioner of customs. I was talking to him personally.

Senator WALSH. I suppose it depends upon whom you write to.

Mr. DOHERTY. Yes. But when you get to the commissioner, who is at the head of the service, you know whom you are talking to.

There are a great many more things I would like to dilate on. I wish you would lend me all the time that was occupied by the 24 orators in opposition.

Senator McCUMBER. There may yet be six or eight witnesses to testify on the same side you do.

Mr. DOHERTY. I judge not, from the list. Appearing as we do, we are acting upon the suggestion and request of Senator Penrose, who asked that we nominate one or two to speak, and not to have a whole lot of orators to say the same thing. We complied very literally with that request. There have only been three witnesses who appeared on our side, and two of those were attorneys who had been specially employed by importers who wished to have their own representatives. But for all the rest of the importers of this entire country we are speaking.

Senator WATSON. What other points have you to make?

Mr. DOHERTY. I would like to advert to some of the testimony that was given by some of these men who testified; for example, that man de Jong, who held the floor two hours last Wednesday, and who brought up as an example for the necessity of changing the valuation a pile fabric that he said he used to get from the firms in Shelton—the Blumenthal firm in Shelton, at \$4.50 a yard—and he found he could buy it in Germany at \$2 a yard; whereupon the American dealers were obliged to reduce their price to \$3.50. He left you with the inference that they were obliged to cut prices very materially because of the excessively low prices of the German product. He left you with the wrong impression. He did not figure in all the elements that go to constitute cost. As a matter of fact, that German product landed, duty-paid at \$4.40, and there was not any need at all for the Shelton manufacturers reducing their price from \$4.50 to \$3.50, because he did not figure in the gross profit at all, nor did he figure in the transportation charges. He put down the naked foreign cost, plus the duty. And that is the same sort of dissimulation that runs through the argument placed before you by these interested parties.

I do not think that that is quite the fair way to treat the committee. You are laboring under tremendous difficulty. You do not swear the witnesses, and you have no one to cross-examine them, and I think it is only fair that men who come up before the committee should be truthful in their statements, and should state outright just what the facts are, so far as they know them, and not leave the committee under the wrong impression.

¹ See p. 342.

Senator McLEAN. Is it your view that we can provide protection against German importations under the present plan that will not operate as an embargo against importations from high-cost countries?

Mr. DOHERTY. I am glad you asked that question, because I have been desiring an opportunity of clearing up this question of competition between foreign countries. What do we care about competition between one foreign country and another?

Senator WATSON. What we want to do is to protect our own country. Since you are asking that question, how are we going to protect this country under those conditions?

Mr. DOHERTY. How are we going to protect American manufacturers from Germany without imposing an embargo against the high-cost countries? I say, we do not care anything about that.

Senator McLEAN. You have just said that Canada has adopted a plan by which she has prevented the importation of goods she needs.

Mr. DOHERTY. Yes.

Senator McLEAN. If we adopt a plan that operates as an embargo against all countries but Germany, may we not be in precisely the same position Canada is in regarding importations from other countries that we need?

Mr. DOHERTY. I do not see why there is any more necessity of enacting such a tariff than ever before. All ad valorem duties bear unequally on the different countries.

Senator McLEAN. Then you favor a continuation of the present plan?

Mr. DOHERTY. Certainly.

Senator McLEAN. And you offer no alternative?

Mr. DOHERTY. I say it is no affair of ours how much foreign countries compete with one another. Why should this committee tax American consumers to benefit England or France as against Italy, Germany, or Japan?

Senator WATSON. Why should we devise a tariff to permit imports from Germany and shut out all the other nations of the world?

Mr. DOHERTY. That is the result of natural causes; that is something we can not help.

Senator WATSON. It resulted that way.

Mr. DOHERTY. Why do we care about that?

Senator WATSON. We do.

Mr. DOHERTY. Why should you? Why should not we get the benefit of competition between foreign countries?

Senator WATSON. Then why not put up an embargo against Germany and the other nations at the same time?

Senator SMOOT. Why not put an embargo against our own manufacturers and buy German goods entirely?

Mr. DOHERTY. That is all airy persiflage. We ought to have the benefit of foreign competition of foreign countries. If we go to buy any foreign goods we ought to get them as cheaply as we can, always having a proper protective duty. In other words, I say the proper economic principle is to let every foreign country do that which it can do best. Then we get the benefit of it, and we can adopt an adequate tariff so far as the American industries are affected. I can not see for the life of me—

Senator McCUMBER (interposing). Suppose an article were produced in Japan for \$1; it took \$2 to produce it in France; and we put a tariff only so high but what the French merchant can still

import into the United States. Suppose we charge the French merchant 50 per cent on his \$2; that would be \$1. Could not the Japanese pay that \$1 and still compete with the French?

Mr. DOHERTY. Why, of course.

Senator McCUMBER. Then what objection would there be to compelling Japan to pay the same price, upon any theory that we would charge the Frenchman—whether upon ad valorem basis or whether on a specific basis?

Mr. DOHERTY. That is not the same thing at all. The Senator asked me if there was not some way by which you could equalize the production costs of foreign countries so that their landed cost here—

Senator WATSON (interposing). Oh, no; I did not ask you that.

Mr. DOHERTY. You take a series of different amounts and you add a like amount to each one, and you do not change the relative position—one is still higher than the other.

I just had one of those little things figured out here, Senator. An article was selling in the United States at \$1 and it would have been 70 cents in England, 60 cents in France, 50 cents in Germany, 40 cents in Japan. If you impose the same duty on all of them; that is, a duty of 50 per cent on \$1, the American selling price is 50 cents—you simply add 50 cents for each one of those amounts. That does not make any relative difference. Japan still has the advantage. The order still stands, Japan, Germany, France, and England. As a matter of fact, you have put a higher burden on that country which has already the highest cost. What consolation is it to that country to know that the low-cost country has also been advanced? None at all. Really, I can not take that seriously at all.

Senator WATSON. It costs less to produce goods in Germany than in any other country in the world right now?

Mr. DOHERTY. No.

Senator WATSON. Considering the rate of exchange, it costs less to produce goods in Germany than any other country, except Japan. Now, if we put a tariff on sufficient to protect the American manufacturer against those low-priced goods, can any other country ship their goods into this country?

Mr. DOHERTY. Yes.

Senator WATSON. How.

Mr. DOHERTY. Because it is very rarely that you will find exactly the same article shipped into this country from different countries. Take, for example, laces—

Senator WATSON (interposing). Does not Germany ship practically everything into this country?

Mr. DOHERTY. Not at all.

Senator WATSON. All woollens and cottons?

Mr. DOHERTY. We had no woollens from Germany for a long time, and no cottons either.

Senator WATSON. We have had some cottons, of course, we have.

Mr. DOHERTY. We get laces from Nottingham, England; we get laces from Calais, in France—I am taking normal times. We get burnt-out laces from Plauen in Germany and Barmen in Germany. We also get some laces from Belgium and from Italy.

That is all lace, but it is not the same thing; it does not compete; the Nottingham is entirely different from the Calais and the Plauen

lace, and the burnt-out article is different from the other, and the Belgian and Italian are mostly handmade laces.

Senator WATSON. And the things that Germany is sending into this country are unique to Germany, and other countries are not importing those things.

Mr. DOHERTY. That is altogether too sweeping. I say this, as a general rule there are such differences between the products of those various countries each one can go along side by side; each finds its own market. Where the goods are absolutely identical there is no hope; the lowest country will then win out. And that is very much to the advantage of our American consumer, and if that country is able to supply all our legitimate demands, and you levy sufficient duty to protect the American manufacturer, that situation is ideal. You are satisfied. Why should you care that if in the meantime the products from some higher-cost country are shut out? How is that any concern of ours? I do not see it at all—America first.

Senator WATSON. Is not that Germany first?

Mr. DOHERTY. No, no.

Senator WATSON. Are you a free-trader?

Mr. DOHERTY. No, indeed; I am not.

Senator WATSON. Are you a protectionist?

Mr. DOHERTY. I am.

Senator McLEAN. That is Germany first, last, and all the time.

Mr. DOHERTY. I am straight-out Republican, and expect to continue to be one, and I am a protectionist. But I do not believe in any more prohibition than we have now. [Laughter.] We do not want any country—

Senator WATSON (interposing). When you speak of "prohibition" you touch a tender cord in the audience. [Laughter.]

Mr. DOHERTY. I may say I have some little sensibilities myself.

Senator WALSH. If you undertook to make a tariff law upon the basis of keeping out of this country the products of the low-cost countries, are you not leading directly toward confining every country in the world to its home market for its business?

Mr. DOHERTY. Practically, yes.

Senator WALSH. When you begin to say we must shape our tariff so that the low-cost producing countries can not come in you are practically putting up an embargo and leading toward each country only producing the amounts of goods its own people can consume.

Senator SMOOT. That would be the case if we had absolutely free trade in this country on everything. That same reasoning would apply if there was not a tariff in existence. If Germany can make goods cheaper than any place in the world, Germany will control the commerce of the world, as far as she can produce those goods.

Senator WALSH. I have some sympathy with the suggestion that we should not be obliged to compete with those countries that produce goods that are made in America at a lower cost or less cost. But I do not see why you consider that factor in drafting your tariff law to prevent those goods coming in. I do not see why you are not bound to go step by step toward putting up a wall and doing away with export business with every country in the world.

Senator SMOOT. The American valuation, in my opinion, is the only possible thing to equalize that. The question of whether it is a

tariff wall depends upon the rate we put in the bill, but the American valuation will equalize between Germany and England and France. One will have just as good a chance as another, as far as the amount of duty that will be imposed is concerned.

Senator WALSH. The goods then will come from the low-producing country.

Senator SMOOT. Of course, they will—free trade, tariff, anything.

Mr. DOHERTY. This new scheme does not cure that condition at all. It simply provides that all pay the same amount of duty.

Senator SMOOT. That is what it does.

Mr. DOHERTY. Production cost remains; landed cost remains.

Senator SMOOT. But it does give our American manufacturer a chance to manufacture goods in this country in comparison with the lowest—

Mr. DOHERTY (interposing). It simply gives additional protection.

Senator McCUMBER. It gives us a greater amount from the lower-producing country.

Mr. DOHERTY. It also exacts a greater amount from the higher.

Senator McCUMBER. Suppose we leave that practically the same. We would still get a proportionate amount from those whose home prices were much below the higher prices.

Mr. DOHERTY. I do not see how you can leave the low producing countries alone.

Senator McCUMBER. Suppose we have an article produced in Great Britain for a dollar, and we will say a dollar is the American price here, and we charge 10 per cent—10 cents. If the same goods are produced in Japan, we will say, for a half dollar, and we charge 10 per cent ad valorem, why, on the ad valorem price they would only pay 5 cents; whereas if we take the American price you pay 10 cents just the same as the British?

Mr. DOHERTY. Exactly.

Senator McCUMBER. And then we get 5 cents more on that particular article, would we not, from Japan?

Mr. DOHERTY. Her landed cost would be 60, and England \$1.10.

Senator McCUMBER. You have not raised England, but you have raised the other. I am assuming you have not put your tariff high enough to raise the tariff against the English manufacturer at all, but you have brought the others nearer to him.

Mr. DOHERTY. I do not get that at all.

Senator SIMMONS. You said you are a Republican?

Mr. DOHERTY. Yes, sir.

Senator SIMMONS. If we adopt this scheme; what will become of the old-time Republican doctrine of the tariff that was measured by the difference between the cost of production here and abroad?

Mr. DOHERTY. I do not want to get into politics now. But there seems to be no party differences as to protective tariff. This present law under which we are working, with all due respect, is practically a protective tariff, because it was personally intended by its sponsor in the lower House to be a competitive tariff, and the rates were made so they would compete. So it is really a protective tariff.

Senator WATSON. Do you mean to say that Senator Simmons deliberately formulated a protective tariff?

Mr. DOHERTY. Senator Simmons made 698 amendments to the tariff passed in the House of Representatives. I believe that is the correct number, is it not, Senator?

Senator SIMMONS. He made a great many amendments. It was over 600.

Mr. DOHERTY. It was over 600.

Senator SIMMONS. And 500 of them stuck.

Mr. DOHERTY. The tendency of your scheme will be a very pernicious one. The tendency will be to do away with outright purchases by American purchasers in the open European markets and it will tend to stimulate one of the greatest evils of our tariff system, one that has been denounced by successive Secretaries of the Treasury from away back, as far back as you can go, and that is that system whereby goods are consigned by a foreign manufacturer to an agent in this country. That is the result of this system.

You ought to think well over that, because that is a very bad thing from every standpoint, for this reason: At the present time a large house like Marshall Field & Co. makes a purchase in the open market in Europe and brings them in. Goods bought in the open market have a notorious value, and there is no trouble about the duty. Under this it will be decidedly to the advantage of the manufacturer who makes those goods to send them to his agent in this country, because he can make his own selling price in this market and his selling price can be lower than Marshall Field's selling price, because he has eliminated Marshall Field; he has eliminated that middle man. His dealings can be practically direct to the retailer. So he can absorb a part of the profit that Marshall Field & Co. made and still put his goods on the American market at a lower price than Marshall Field & Co. are able to sell them. That is a very bad thing.

I remember a striking passage in a report of Col. Tichenor, Assistant Secretary of the Treasury at one time, who was going through some foreign country and he noticed a row of magnificent mansions, and he asked who lived there, and he was told that the men who lived there were those who got wealthy consigning goods to America. Col. Tichenor was one of the best and brightest minds that ever graced the Treasury Department of the United States.

This bill as it stands now would have a tendency to aggravate that situation. It will eliminate the outright purchase, which is what we ought to have.

There are a whole lot of other things I would like to talk about, but I yield to the pressure of the committee; but at the opening of my remarks I insisted we did not know what "comparable" meant, and we do not know yet. So we have prepared here a summary statement based on the American selling price, as well as we know it. Under the second part of section 402—the part that provides a method for appraisement of goods that are not comparable with American products; in other words, where there is no American product at all—there are more of them, of course. In some cases, in order to comply as well as we could with the requirements of the committee, we have put down a thing as being comparable, although we had very serious misgivings whether it was or not. The first example that comes to my mind is the so-called prophylactic toothbrush—that is, a toothbrush with the bristles of varying lengths, a sort of a tuft at one end, the idea being that it can reach better into the crevices of the mouth. That is a well-known American article made in Florence, Mass. There is another toothbrush which comes from Japan, made in the same way; but it is not as good as the American article at all;

the bristles are not as good, the handle and back are not as good; but, as I say, in order to comply so far as we could with the spirit of the committee we called that comparable.

So we have prepared this summary statement which contains the description of the article and the country it comes from, and the foreign selling price, and the case and packing and transit expenses, rate of duty under the present law and the paragraph, the amount of duty under the present law, and the present selling price with a gross profit of 25 per cent; then the proposed rate under the Fordney bill and the amount of duty on the selling price under the terms of the Fordney bill. And, finally, the fourteenth column shows the equivalent ad valorem percentage; the fifteenth column is the one where we have put down a comparison where we thought we could find a comparison, where we spelled out comparison; and then the sixteenth column, shows duty under the Payne-Aldrich Act, and the paragraph number of the Payne-Aldrich Act.

All these examples were furnished by merchants in New York and other places at our request, in order to prepare for this hearing. They were furnished with a form and told to put down the exact figures just as they were taken from their books. So that this summary represents actual transactions, and where there was any comparison possible it was an actual transaction also; that is, there was an American article that we deemed to be comparable with this one under the law.

I should like to offer that for the record, and I would like to have it printed in the record.

Senator McCUMBER. That will be printed as a part of your testimony.

Mr. DOHERTY. I could talk a whole lot about this and explain it.

Senator McLEAN. Did you appear before the Ways and Means Committee of the House?

Mr. DOHERTY. They had no hearings on this at all. We followed the exact language of the law. We certainly calculated it just exactly the way the merchant would calculate his costs and the selling prices. Those, as I say, represent the actual prices of goods that are bought and sold daily in the markets.

I should like also to put in evidence, if it is necessary, a copy of the hearing of April 22 before this committee. Is that necessary—to put it in evidence—or will you take judicial notice of it?

Senator McCUMBER. Is it a copy of hearings already had by this committee?

Mr. DOHERTY. It is the one on the antidumping bill in April last—antidumping and currency.

Senator McCUMBER. How long is it? If it is already printed it would seem it would not be necessary to reprint it again for the use of the committee, as the committee has it. But if it is brief and you would like to have it as a part of your testimony, I can see no objection to having it reprinted.

Mr. DOHERTY. It is about the size of that [exhibiting pamphlet to the committee].

Senator McCUMBER. I should think we ought not to go to that length in reprinting a pamphlet of that kind.

Mr. DOHERTY. I do not care for it particularly, although I should like to have it appear in this record that all the facts concerning the

rise of prices in German and other European goods since 1914 are in the files of this committee and on the records of this committee.

Senator McCUMBER. You may refer to any pages in that that you wish to refer to.

Mr. DOHERTY. The whole pamphlet deals with it, and I would like to have that well considered as part of our proof and considered in evidence the same as if witnesses were called here now and examined orally.

Senator McCUMBER. That will be done.

Mr. DOHERTY. The summary I have submitted contains no pyramiding and no exaggerations at all. The figures are those of actual transactions, and they are figured out according to the language of the law.

Senator SMOOT. I see you have selected such articles as razors, toothbrushes, and such things. You know we have always had a great deal of trouble with those, to protect against foreign countries.

Mr. DOHERTY. I think there are 250 commodities in all. We have done the very best we could to make as wide a selection as possible.

Senator McCUMBER. Is that all?

Mr. DOHERTY. No; it is not all. But I will have some consideration for those who follow me. I should like to have made a much fuller presentation, as there is a great deal to be said, and I should like to have said it, but I recognize conditions and bow to the inevitable.

I thank you very much for the hearing.

SUMMARY STATEMENT BASED ON AMERICAN SELLING PRICE.

This statement is a summary based on 206 individual calculations covering as many different items of importations, including a comprehensive variety of goods. In this tabulated statement the items are numbered, beginning with 1 and ending with 206, and each separate entry is the result of a detailed calculation, the calculation sheets having been preserved, so that they can be referred to in verification of the summary.

Of necessity, such a statement as this must be, to some extent, conjectural because of the extreme uncertainty that attends computations under the very complicated system contained in the Fordney bill. Because the basis of duty—that is to say, the value upon which the duty will be assessed—is the selling price in the United States, which is itself a composite figure made up of many factors, and each figure must be resolved into those separate factors, there are wholly new problems in cost figuring presented. However, the particular computations summarized here represent actual importations at actual prices, and the picture here presented is a faithful reproduction of what will happen if and when this new system is put into effect.

The phrase used in section 402 of the Fordney bill, "comparable and competitive," completely baffles conjecture as to its meaning, and there is no pretense made here that those who prepared and presented this statement have mastered the difficulty. Every effort was made to secure an American article that was identical, or almost identical, with articles of import, but in only a very few instances could such similarity be found as would justify the statement that the goods were comparable. In column 15 of the tabulated statement percentages appear at intervals which represent the ad valorem duty upon foreign value equivalent to the duty imposed by the Fordney bill. It must be understood that these percentages as to comparable articles are given with reluctance because of the misgivings in respect to the precise meaning of the word "comparable." Taking, for example, article 7, which is a toothbrush made in prophylactic style by a well-known American concern and having a Japanese counterpart to the extent of containing bristles of uneven length, conservative figuring shows that the new duty will be equivalent to 124 per cent based upon the foreign value. The duty under the present law is 35 per cent and the duty under the Payne-Aldrich tariff law was likewise 35 per cent. There are a few other instances found where an American counterpart for the imported article was made the subject of calculation, and all such instances are in column 15.

In the vast majority of cases, however, no American article that could truthfully be said to be comparable was found, and it may be stated that this is representative of the general run of imports. In fact, it is because the imported article presents

some different features from the domestic article that the imported article appears in commerce at all. It may or may not be cheaper; it may or may not be more symmetrical or beautiful; it may or may not be as handy or convenient; and yet it may have some feature that distinguishes it from the domestic article and which appeals to the taste of a sufficient number of buyers to warrant its importation. In the true sense such articles are neither comparable nor competitive because they go along side by side and each finds its own market.

The preparation of this tabulated statement gave a very practical demonstration of the extreme difficulty business men will have in forecasting the effect of the tariff law upon transactions which will be completed in the future. A very large part of international commerce is made up of import orders; that is to say, the transactions involve the taking of orders for goods which are made to order but which will not be put upon the American market for some months after the order is taken and buyer and seller are committed to a price. Notwithstanding the many general statements that have been made to the effect that the buyer of European goods knows when he buys them what they will sell for, the inexorable fact remains that that certainty is based on the knowledge of what his goods are going to cost him landed. Without that knowledge it is utterly impossible for either buyer or seller to fix a price. There are too many possibilities intervening between the time of the contract and the time of delivery to make anything like certainty possible. It is well known that the domestic market is subject to violent fluctuations, and the enterprise and inventiveness of Americans are equally well known. Therefore, the American market may be totally different from the market when the order was placed and, furthermore, articles which at that time were not made in America at all may have in the meantime been developed.

Without reviewing this tabulated statement in detail, attention is especially invited to column 14 and to column 16. Column 14 shows the rate of duty carried by the Fordney bill based upon domestic valuations, reduced to an ad valorem based upon the foreign market value, while paragraph 16 shows the ad valorem duty carried upon the same article under the Payne-Aldrich law of 1909. A comparison of these two columns and of column 15, where there is any comparable article, shows some amazing increases of duty over the act of 1909. These ad valorem duties are higher in most instances than any duty that was ever levied by any tariff act in this country, and it is correct to say that the majority of them are higher than the most extreme protectionist ever urged.

Another feature noticeable is the wide discrepancy between the extremes of these duties without any apparent reason therefor. It is manifest from this that the rates, as fixed in this bill, have absolutely no relation to the economic facts and to the commercial conditions which a tariff law must necessarily take into account.

It may be that the relative paucity of comparable items is due, not only to the actual lack of such items, but also to the extreme difficulty of ascertaining whether or not such items exist. This new bill apparently puts the burden upon the importer, at the risk of being penalized if his information is incorrect, of finding whether there are articles comparable with his own and, if so, what their price is on the American market. This exacts of the importer an impossible task in the majority of instances. The United States is a very large country, and in some portions of the country there is a demand for and use of articles that are never found in other parts of the country. An importer bringing in such articles, located in a portion of the country where they are not used, would be utterly at a loss to find out what domestic-made wares were selling for on the American market.

Furthermore, the importer could depend only on hearsay for any information of this kind, and it seems intolerable that he should be punished by heavy fines because the information that is given to him is inaccurate and is found to be so by the appraiser. This law retains all the rigorous features of the old law, imposing heavy fines upon the importer in cases where the entered value is incorrect. Whatever excuses there are for this under the old law, based upon the ground that the importer knew what he paid for his goods and might be conceived to know what the prevailing foreign values were, there is no sound reason for it under the new law when the values upon which he must pay duty are values as to which he has no special knowledge. There is no human agency that might reasonably be expected to know the selling prices on the American market of all commodities except the United States Government. It has postmasters in every hamlet and it has an army of other employees, collectors of customs, collectors of internal revenue, and a myriad of other subordinates, and the innumerable attachés of the various departments of the Government, many of whom are now engaged in collecting and disseminating what purports to be commodity prices. Simple justice would require the Government to assume the burden of ascertaining and proclaiming prevailing prices for the guidance of its citizens who import goods and for the guidance of the customs officials who appraise them.

With this explanation the tabulated statement is printed, as follows:

[When the Importers' wholesale selling price is accepted for duty purposes because there is no comparable American made article, see column 14; if comparable, see column 15.]

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Description of article.	Country of origin.	Selling price at foreign factory (varying units).	Case and packing.	Transit expenses.	Present rate of duty.	Paragraph of Underwood bill.	Amount of duty at present rates.	Present selling price, includes 25 per cent gross profit.	Selling price under Fordney bill, includes 25 per cent gross profit.	Proposed rate of duty under Fordney bill.	Paragraph of Fordney bill.	Resulting price on selling price.	Not comparable on foreign factory selling price, plus packing equal to—	If comparable on foreign factory selling price, plus packing equal to—	Payne-Aldrich duty.	Payne-Aldrich paragraph.
1. Dye, fast light yellow, No. 24.	Switzerland	\$722.00	\$2.93	\$19.67	P. d. 1.30	(1)	\$259.65	\$1,432.33	\$2,113.68	35 per cent plus 7 cents per pound.	26	\$770.65	P. d. 97	P. d. 15		
2. Celluloid dolls	Germany	74.49	2.10	10.64	35	342	26.81	152.05	240.76	25 per cent plus 65 cents per pound.	30	93.34	122		35	431
3. Celluloid dolls (Art. No. 9).	Japan	39.00	2.00	11.40	35	342	14.35	90.00	189.29	do.	30	89.57	218		35	431
4. Celluloid dolls (Art. No. 9).	do.	39.00	2.00	11.40	35	342	14.35	90.00	187.20	do.	30	72.25		176	35	431
5. Celluloid toothbrush	do.	7.32	.10	1.10	35	336	2.59	14.80	21.60	do.	30	7.68	1034		40	423
6. Celluloid toothbrush	do.	7.32	.10	1.10	35	336	2.59	14.80	24.89	do.	30	10.16		137	40	423
7. Celluloid toothbrush	do.	8.40	.10	1.26	35	336	2.97	17.00	24.08	do.	30	8.30	98		40	423
8. Celluloid toothbrush	do.	8.40	.10	1.26	35	336	2.97	17.00	27.00	do.	30	10.53		124	40	423
9. Eau de Quinine (No. 1265 R. & G.).	France	3.908	.16	.579	60	48	6.121	14.850	46.88	60 per cent plus 40 cents per pound.	57	30.51	750		50	67
10. Face powder	do.	1.60	.08	.07	60	48	.99	4.05	11.67	60 per cent.	57	7.00	4374		60	67
11. Infant powder	do.	1.202	.025	.073	60	48	.78	2.681	8.67	do.	57	5.202	424		60	67
12. Tin paints	Germany	39.92	1.05	7.40	20	63	8.20	75.00	98.74	25 per cent.	62	24.19	594		30	56
13. Tin paint boxes	do.	57.46	2.40	6.47	20	63	11.87	105.00	132.66	do.	62	33.16	554		30	56
16. Perfumed soap	France	1.52	.025	.097	30	66	4.43	12.80	3.65	30 per cent.	77	1.065	71		50	69
17. Paper egg boxes	Germany	34.53	2.80	11.28	35	324	13.08	82.20	98.80	20 per cent plus 5 cents per pound.	130	25.49	70		130	411
18. Earthenware	England	154.50	6.00	10.06	40	79	62.60	305.55	332.11	28 per cent.	212	82.52		72	60	93
19. Earthenware	Holland	297.81	5.00	56.08	40	79	119.20	635.78	753.38	do.	212	210.95			60	93
20. Earthenware	England	12.34	.51	1.12	40	79	5.14	25.48	29.72	do.	212	8.32	64		60	93
22. Earthenware	do.	166.56	6.00	13.20	40	79	69.02	339.71	395.23	do.	212	110.66	64		60	93
23. Earthenware	do.	64.14	5.72	9.44	40	79	27.94	143.00	168.72	do.	212	47.24	674		60	93
24. Earthenware	Italy	238.64	17.50	92.15	40	79	102.40	601.00	741.04	do.	212	207.49	81		60	93

* Plus 60 cents per pound.

* Sec. 501, act of Sept. 8, 1916.

* Plus 5 cents per pound.

TARIFF HEARINGS.

1	2	3	4	5.	6	7	8	9	10	11	12	13	14	15	16	17
Description of article.	Country of origin.	Selling price at foreign factory (varying units).	Case and packing.	Transit expenses.	Present rate of duty.	Paragraph of Underwood bill.	Amount of duty at present rates.	Present selling price, includes 25 per cent gross profit.	Selling price under Fordney bill, includes 25 per cent gross profit.	Proposed rate of duty under Fordney bill.	Paragraph of Fordney bill.	Resulting duty on selling price.	Not comparable on foreign factory selling price, plus packing equal to—	If comparable on foreign factory selling price, plus packing equal to—	Payne-Aldrich duty.	Payne-Aldrich paragraph.
89. Pocket knife.....	England.....	\$10.19	\$0.40	\$0.40	P. ct. 55	128	\$5.82	\$22.50	\$32.42	30 per cent plus 30 cents each.	354	\$13.33	P. ct. 128	P. ct. 140	152	17
90. Razors.....	do.....	12.97	.52	.51	55	128	7.42	28.50	36.44	30 per cent plus 20 cents each.	358	13.33	99	140	152	16
91. Table knives.....	do.....	4.66	.18	.18	30	128	1.45	8.50	14.95	35 per cent plus 8 cents each.	355	6.19	128	115	152	15
93. Watch mainsprings.....	Switzerland.....	6.30	.31	.63	30	161	1.98	12.30	18.10	35 per cent.....	367	6.34	96	40	192	14
94. Watch mainsprings.....	do.....	6.30	.31	.63	30	161	1.98	12.30	15.45	do.....	367	4.34	76	65	40	192
95. Thread.....	France.....	1.52	.03	.05	25	150	.39	2.65	3.70	35 per cent plus 10 cents per pound.	382	1.18	.....	76	130	179
96. Lameargent No. 22.....	do.....	1.58	.02	.05	6	150	.10	2.20	3.24	30 per cent plus 10 cents per pound.	382	.97	.....	60	130	179
97. Silver satin ribbon.....	do.....	.97	.02	.03	40	150	.40	1.90	3.35	45 per cent.....	382	1.49	.....	150	160	179
98. Gold satin.....	do.....	3.25	.07	.10	40	150	1.34	6.39	17.25	55 per cent.....	382	9.49	283	160	179	179
99. Halfine gold bouillon.....	do.....	9.60	.19	.29	25	150	2.45	16.70	25.75	35 per cent plus 10 cents per pound.	382	9.23	94	130	179	179
100. Halfine bouillon fringe.....	do.....	.31	.01	.01	50	167	.16	.65	1.65	55 per cent.....	382	.91	284	45	189	189
101. Imitation gold bouillon tassels.....	do.....	.54	.01	.02	20	167	.11	.91	2.85	do.....	382	1.57	285	45	199	199
102. 5-inch fringe, bouillon.....	do.....	.42	.01	.01	20	167	.085	.70	2.20	do.....	382	1.21	281	45	199	199
103. Gift belting.....	do.....	.28	.01	.01	40	150	.12	.56	1.00	45 per cent.....	382	.45	155	160	179	179
104. Magnets.....	Germany.....	57.60	.84	5.74	20	167	11.69	101.25	160.45	35 per cent.....	393	56.16	96	45	199	199
105. French bronzes.....	France.....	188.16	24.10	28.25	20	167	38.44	346.59	553.78	do.....	393	193.82	101	45	199	199
106. Willow hampers.....	Belgium.....	4.00	.10	.81	25	175	1.00	7.75	13.74	40 per cent.....	411	5.50	1374	40	214	214
107. Splint baskets.....	Germany.....	10.08	.73	7.36	25	175	2.52	28.61	49.83	do.....	411	19.83	198	40	214	214
108. Xmas roping.....	Japan.....	51.00	.80	6.80	20	388	10.20	90.00	115.60	25 per cent.....	412	28.90	563	35	483	483
109. Baskets, not stained.....	Germany.....	12.25	.49	4.29	25	175	3.19	27.00	34.06	do.....	413	8.52	67	35	214	214
110. Bamboo fruit baskets.....	do.....	27.00	2.00	10.14	25	175	7.25	61.20	87.00	30 per cent.....	413	26.10	90	40	214	214
111. Segrass stained.....	China.....	2.15	.42	4.28	15	176	.32	9.00	12.96	25 per cent.....	414	3.22	150	35	214	214

	1.84	11.55	15	176	6.87	80.64	120.72	do.	414	30.18	66	45	109
112. Lacquered wooden trays.	43.97							do.					
113. Pencil box.	2.24	.56	15	176	.37	4.50	6.00	do.	444	1.50	614	35	215
114. Immortelle flowers.	40.00	4.00	25	210	10.50	70.00	92.00	do.	751	23.00	55	25	285
115. Cotton organdie, in the raw, 40-inch.	37.35	.12	274	252	4.84	31.00	35.73	29 per cent.	903	8.35	474		315
116. Cotton gloves.	1.75	.15	35	280	.6475	3.67	5.714	40 per cent.	914	2.285	1234		324
117. Child's voile dress.	6.20	.12	30	256	1.90	12.00	16.67	35 per cent.	918	3.50	87	50	324
118. Child's voile dress.	6.20	.12	30	256	1.90	12.00	16.67	do.	918	4.95	87	50	324
119. Child's voile dress.	6.20	.12	30	256	1.90	12.00	16.67	do.	918	5.50	87	50	324
120. Embroidery linen.	942.92	7.03	50	384	255.00	1,940.70	1,916.02	28 per cent.	1009	536.49	63		
121. Irish dress linen.	37.25	.12	30	283	11.17	67.00	83.20	do.	1009	23.30	59		
122. Linen.	1.42	.08	35	283	2.65	3.19	3.19	do.	1009	.89	62.7		
123. Linen napkins.	3.72	.18	35	283	1.30	6.95	8.30	do.	1009	2.32	62		
124. Linen towels.	2.18	.11	35	284	1.77	4.10	4.91	do.	1013	1.375	624		
125. Linen huck towels.	5.46	.33	35	284	1.91	10.50	12.32	do.	1013	3.45	63		
126. Hemstitched linen tablecloths.	4.56	.28	25	284	1.60	9.00	10.30	do.	1013	2.88	63		
127. Hemstitched linen napkins.	4.27	.26	35	284	1.50	8.50	9.63	do.	1013	2.70	63		
128. Stenciled rice straw rugs.	3,674.39	220.91	(*)	272	287.90	6,965.63	10,120.04	26 per cent.	1020	2,631.21	674	(*)	341
129. Saxony wool dye.	3.20	.13	35	288	1.13	5.99	8.24	294 per cent plus 36 cents per yard.	1109	2.83	86	1.55	378
130. Dress worsted.	4.06	.16	35	288	1.44	7.60	10.03	do.	1109	3.27	79	1.55	378
131. Overcoating.	4.41	.18	35	288	1.56	8.25	11.66	do.	1109	4.12	92	1.55	378
132. Saxony.	2.90	.12	35	288	1.03	5.44	7.40	do.	1109	2.50	85	1.55	378
133. Unfinished worsted.	4.19	.17	35	288	1.48	7.84	10.66	do.	1109	3.59	85	1.55	378
134. Cheviot.	3.80	.16	35	288	1.38	7.29	9.78	do.	1109	3.25	83	1.55	378
135. Bannockburn worsted.	3.03	.12	35	288	1.07	5.67	8.08	do.	1109	2.88	94	1.55	378
136. Woolen 11-ounce trousersing 29 inches wide.	2.35	.09	35	288	.83	4.39	5.98	29 per cent plus 36 cents per yard.	1110	2.02	85	1.55	378
137. 14-ounce chevot.	1.56	.06	35	288	.55	2.92	3.41	do.	1109	.915		58	378
138. 16-inch worsted.	3.54	.14	35	288	1.36	5.39	7.66	do.	1109	1.71		44	378
139. 16-inch worsted.	3.37	.13	35	288	1.19	6.29	6.88	do.	1109	1.63		48	378
140. 12/13-ounce worsted.	2.07	.08	35	288	.73	3.87	4.32	do.	1109	1.07		51	378
141. 13-ounce worsted.	3.03	.12	35	288	1.07	5.77	6.11	do.	1109	1.40		46	378
142. 12/13-ounce serge.	2.33	.06	35	288	.85	4.39	4.88	do.	1110	1.22		48	378

1 Plus specific duty.

2 Including case and packing.

3 Specific duty, 24 cents per square yard.

4 Plus 8 cents per square yard.

TARIFF HEARINGS.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Description of article.	Country of origin.	Selling price at foreign factory (varying units).	Case and packing.	Transit expenses.	Present rate of duty.	Paragraph of Underwood bill.	Amount of duty at present rates.	Present selling price, includes 25 per cent gross profit.	Selling price under Fordney bill, includes 25 per cent gross profit.	Proposed rate of duty under Fordney bill.	Paragraph of Fordney bill.	Resulting duty on selling price.	Not comparable on foreign packing equal to—	If comparable on foreign factory selling price, plus packing equal to—	Payne-Aldrich duty.	Payne-Aldrich paragraph.
143. 14-ounce dress.....	England.....	\$3.16	\$0.03	\$0.13	P. d. 35	288	\$1.12	\$5.92	\$6.58	20 per cent plus 36 cents per pound.	1109-1110	\$1.615	P. d.	P. d. 51	P. d. 155	378
144. 30-ounce overcoating.....	do.....	4.15	.04	.17	35	288	1.47	7.77	8.22	do.....	1109	1.805	45	155	155	378
145. 12-ounce velours.....	Holland.....	2.10	.02	.04	35	288	.74	3.87	5.34	do.....	1109	1.845	87	155	155	378
146. Paper masks.....	Germany.....	40.32	3.50	12.50	25	370	10.96	90.00	112.64	25 per cent.	1120	28.16	64	35	35	465
147. Paper masks.....	do.....	40.32	3.50	12.50	25	370	10.96	90.00	241.38	do.....	1120	48.00	109	109	35	465
148. Chinese silk, Shanghai.....	China.....	16.00	1.00	1.90	45	318	7.65	35.40	49.20	\$2.25 per pound.	1205	18.00	106	106	50	403
149. Chiffon velvet.....	Germany.....	1.50		.11	50	314	.75	3.147	3.602	33 1/2 per cent.	1206	1.091		73	45	399
150. Silk hair nets.....	France.....	1.08	.01	.03	60	338	.65	2.36	2.90	35 per cent.	1213	.90	90	60	60	402
151. Filtering paper.....	Japan.....	130.00	1.50	25.32	25	323	32.88	250.00	273.40	15 per cent plus 6 cents per pound.	1304	48.21	384	115	410	410
152. Papier-mâché.....	do.....	118.80	3.96	24.80	25	369	30.69	240.00	283.94	23 per cent.	1303	65.32	53	35	35	464
153. Papier-mâché.....	Germany.....	6.92	.735	.853	25	369	986	6.92	8.82	26 per cent.	1313	2.293	66	35	35	464
154. Straw braids.....	Japan.....	2,898.49	40.52	394.90	15	335	408.75	4,813.68	5,163.73	13 per cent.	1405	671.28	234	15	422	422
155. Bone toothbrushes.....	do.....	8.32	1.0	1.25	30	336	2.95	16.80	24.18	35 per cent.	1406	8.46	100	40	40	423
156. Bone toothbrushes.....	do.....	7.32	.09	1.10	35	336	2.99	14.80	21.28	do.....	1406	7.45	101	40	40	423
157. Bone toothbrushes.....	France.....	11.52	.15	.63	35	336	4.31	22.20	30.75	do.....	1406	10.76	87	41	40	423
158. Cork board.....	Spain.....	39.00		5.00	60	340	2.25	65.00	83.67	25 per cent.	1411	16.25		93	50	429
159. Dominoes.....	Germany.....	3.71	.17	.22	60	341	1.94	8.46	10.67	40 per cent.	1412	3.60	142	35	50	439
161. Printed dolls.....	do.....	2.04	.05	.51	35	342	2.73	4.45	7.43	do.....	1413	2.97	143	35	35	431
162. Jointed dolls.....	do.....	7.48	.38	3.37	35	342	2.62	17.13	24.23	do.....	1413	11.69	145	35	35	431
163. Dolls.....	do.....	28.56	1.74	7.20	35	342	10.60	64.13	107.14	do.....	1413	42.86	141	35	35	431
164. Kid dolls.....	do.....	3.26	.16	1.70	35	342	1.20	7.17	11.91	do.....	1413	4.76	139	35	35	431
165. Dress dolls.....	do.....	8.15	.41	1.87	35	342	3.00	17.90	29.80	do.....	1413	11.92	139	35	35	431
166. Bisque head character doll.....	Japan.....	48.00	2.00	15.23	35	342	17.50	108.00	186.37	do.....	1413	74.55	149	35	35	431
168. Bisque doll.....	Germany.....	1.64	.10	.33	35	342	.61	3.57	5.91	do.....	1413	2.36	186	35	35	431
169. Dressed doll.....	do.....	2.10	.16	.79	35	342	.79	5.12	8.71	do.....	1413	3.48	154	35	35	431
170. Dressed doll.....	do.....	40.32	4.02	7.11	35	342	15.62	14.88	24.50	do.....	1413	9.80	133	35	35	431

171. Mechanical toys.....do.....	12.60	1.70	3.20	35	342	5.00	30.00	50.00	1413	20.00	140	35	431	
172. P. M. horses.....do.....	1.80	.43	.60	35	342	7.72	4.73	8.09	1413	3.21	141	35	431	
173. Toy violin.....do.....	16.30	.90	2.45	35	342	6.02	34.25	56.14	1413	22.46	131	35	431	
174. Mechanical trains.....do.....	21.32	2.07	4.52	35	342	8.19	48.00	79.74	1413	31.90	136	35	431	
175. Push horses.....do.....	6.72	.70	2.03	36	342	2.60	16.07	27.00	1413	10.80	146	35	431	
176. Noah's ark.....do.....	27.99	4.20	11.27	35	342	11.27	73.10	124.17	1413	49.67	154	35	431	
177. Mechanical train.....do.....	2.17	.12	.56	35	342	2.80	4.87	8.14	1413	3.26	142	35	431	
178. Push horse on platform.....do.....	5.46	.46	2.18	35	342	2.07	13.56	23.14	1413	9.26	156	35	431	
179. Ptd. rubber.....do.....	9.64	.....	1.60	35	342	3.37	19.48	32.11	1413	12.84	133	35	431
180. Ball No. 3, ptd. rubber.....do.....	9.64	.....	1.60	35	342	3.37	19.48	24.11	1413	6.84	71	35	431
181. Toy tea sets.....do.....	6.34	.63	2.95	35	342	2.44	16.48	27.89	1413	11.00	158	35	431	
182. Sail boats.....do.....	3.53	.39	.57	35	342	1.37	7.80	12.83	1413	5.13	131	35	431	
183. Marbles.....do.....	37.76	.....	8.00	35	342	13.21	78.63	130.74	1413	32.30	1384	35	431
184. Rubber balloons.....do.....	258.72	.....	25.05	35	342	90.55	500.00	810.77	1413	324.31	125	35	431
185. Rubber balloons.....do.....	258.72	.....	25.05	35	342	90.55	500.00	810.77	1413	324.31	125	35	431
186. Violins.....do.....	48.00	.....	24.87	35	373	16.80	120.00	382.18	1440	198.78	414	35	467
187. Violins.....do.....	48.00	.....	24.87	35	373	16.80	120.00	240.80	1440	122.40	255	45	467
188. Violins.....do.....	11.62	.46	1.25	35	373	4.22	23.40	78.33	1440	45.42	376	45	467	
189. Artificial flowers.....do.....	89.43	2.82	21.10	60	347	55.35	224.93	283.73	1418	99.45	108	60	438	
190. Artificial flowers.....do.....	54.00	1.60	12.08	60	347	39.36	144.00	225.60	1418	101.52	183	60	438	
191. Artificial flowers.....do.....	54.00	1.60	12.08	60	347	39.36	144.00	181.82	1418	67.50	122	60	438	
192. Human hair nets.....do.....	3.44	.91	1.20	35	351	1.20	7.40	10.88	1423	3.81	111	35	442	
193. Bead chain.....do.....	16	.15	1.16	50	353	1.28	5.21	7.73	1427	3.17	123	35	442	
194. Embroidered handkerchiefs.....do.....	46.32	2.32	2.32	60	358	27.79	101.90	126.70	1429	48.64	105	60	349	
195. Hand-made fllet lace.....do.....	.06	4.008	.036	60	358	.036	.12	.23	1429	.1035	1724	60	349	
196. Velling.....do.....	.0126	.0004	.0026	60	358	.0254	.064	.1366	1429	.0574	133	60	349	
197. Velling.....do.....	.0225	.0018	.015	60	358	.1361	.50	.7327	1429	.3077	135	60	349	
198. Silk netting.....do.....	.425	.0042	.017	60	358	.2576	.85	.97	1429	.357	83	60	350	
199. Cotton embroidered kimono.....do.....	117.90	5.95	5.74	60	358	74.36	288.72	396.15	1429	149.68	121	60	349	
200. Beaded blouse, silk crepe.....do.....	6.94	.14	.76	60	358	4.25	16.50	20.90	1429	7.84	111	60	349	
201. Beaded blouse, silk crepe.....do.....	6.94	.14	.76	60	358	4.25	16.50	20.00	1492	6.94	100	60	349	
202. Embroidered infant dress cotton.....do.....	1.25	.03	.14	60	358	.77	2.92	3.78	1429	1.42	111	60	349	
203. Embroidered infant dress cotton.....do.....	1.25	.03	.14	60	358	.77	2.92	3.40	1429	1.13	90	60	319	
204. Kid gloves.....do.....	16.00	.26	.54	(¹) 361	2.25	25.00	44.80	44.80	1429	16.80	103	(¹) 454-459	35	431
205. Harmonicas.....do.....	3.01	.06	.16	.35 342	1.08	5.75	9.23	9.23	1413	3.69	120	35	431	
206. Tuning pins.....do.....	3.60	.20	.20	35 373	1.31	7.00	8.59	8.59	1440	2.50	67	45	467	

3 6 cents per pound.
 4 Includes case and packing.
 5 \$2.25 per dozen.
 6 \$3 per dozen specific duty.

STATEMENT OF EMIL PEVNY, MANUFACTURER OF COTTON
GLOVES, OSWEGO, N. Y.

Senator McCUMBER. You are from Oswego, N. Y.?

Mr. PEVNY. Yes.

Senator McCUMBER. What is your business?

Mr. PEVNY. I am a manufacturer of cotton gloves, which industry, as you know, did not exist before the war. We have established this industry and have produced goods which, during the war, were at all times, not only in this country, but to a very appreciable extent for export, giving excellent satisfaction, judging from the repeat orders we have received.

I myself made during the short period one single order for Norway of 500 dozen. I have copies here of the original orders covering goods which were exported to Melbourne, Perth, Adelaide, Australia; Dunedin, Christ Church, New Zealand; Christiania, Norway. I also had an order from South America, too.

The whole thing hinges, to be quite frank, upon German importations. We can not compete with the German wages, which are to-day actually one-tenth of ours. On top of that we have the depreciation of the mark.

As the foreign minister of Germany only the other day remarked, in reply to the exigencies of the French Government, "Our big business in exportation is simply due to the low currency of the country." Consequently, it is deceptive. But the Germans, having it in their hands to maintain the mark at that level, only need to print another issue of paper money in order to maintain the mark at $1\frac{1}{2}$ or $1\frac{1}{4}$ cents indefinitely.

Senator SMOOT. That is what they will do?

Mr. PEVNY. I said 90 per cent which is on German importations. Then Switzerland, England, and Holland all have currencies much nearer to ours, and we would penalize those countries and give Germany almost a monopoly. We might just as well save all the expensive apparatus of collecting customs, because it is hardly worth while to collect so little.

If the importers pretend that they have the consumers' interest at heart, I claim that is ridiculous. Besides, is not every consumer a producer? We have no two classes in our society—one is a producer and one is a consumer. We both produce and consume.

And I beg to remark, as a very important factor, that we are using exclusively the finest grade of American grown cotton in our manufacture, while the Germans go to Liverpool and buy Egyptian cotton; and not only that, but New York importers took good American money which they made in America and bought cotton in Liverpool and sent it to Saxony and had it transformed into gloves, which they took back.

One of the importers—because I read the report in the papers—remarked when the emergency tariff was under discussion—8 cents valuation of the mark—"If you do that, you give the American manufacturer a monopoly." It is very recent history. What has happened during those past few months? The German manufacturers and these importers have acquired the monopoly, and we have to put signs on our factories "To let."

Senator WATSON. Is your factory running?

Mr. PEVNY. It was running last week, but two others shut down within six months for lack of orders.

Senator WATSON. How many workmen have you employed?

Mr. PEVNY. I have employed as many as 120. I am only a small, modest man in comparison to others in our industry.

Senator WATSON. Why are you shut down now?

Mr. PEVNY. On account of lack of orders. All these importers who have been my customers canceled their orders, often when I had them in execution, by simply telegraphing to cancel, "Too late." And I beg to remark that we get as many weeks to make an order as they give the Germans months.

Senator WATSON. When did the German importation of this kind of goods begin?

Mr. PEVNY. Every month they are coming in now; I have got the statistics. In 1920 for the single month of March imports were 17,000 dozen; this year for the same month it was 66,000 dozen.

Senator WATSON. What is the difference in the cost of production in your factory and in Germany?

Mr. PEVNY. Ten times more than their cost of production. The reason for that is what I consider a rather delicate subject, but the leader of the Democratic Social Party, Auguste Bebel, published a work, which you will find in the Washington Library, 1910—which is the fiftieth edition of that work in the English translation—in which he states that with the wages which these girls earn in Germany 50 per cent have to have a friend to help them along. The others have to take bundles home and work till midnight, where sisters and mothers assist them to eke out a living.

Well, I am proud to say that in my factory I have not a girl that I would be ashamed to take into my own home.

Senator WATSON. What wages do you pay?

Mr. PEVNY. An average of \$20 a week.

Senator McLEAN. How many girls are employed by all the interests you represent?

Mr. PEVNY. By all the industries? Thousands of them.

Senator McLEAN. I am speaking now of the cotton-glove industry.

Mr. PEVNY. Only the cotton-glove industry, and we are using exclusively American cotton.

Besides, gentlemen, I suppose you saw only last week that the British Government had set aside £1,000,000 to foster and increase a production of cotton within the Empire, in South Africa, in Egypt, and India; and the cotton spinners of Lancashire promised to contribute appreciably toward that fund, so as to make them independent of the American production of cotton, while we are letting the German goods in almost free at the present moment, because the duty collected to-day is a farce. We are losing at the same time millions of pounds of American cotton, which the cotton producers here would be very glad to have an outlet for, and we have it right here. I know importers of New York who go to Liverpool and buy cotton there and send it to Germany for manufacture.

Every pair of German-made cotton gloves coming into this country to-day is of Egyptian yarn, and we have to lay idle and see this market flooded with German importations.

I cite these importations of German gloves. Note there was increase in the quantity imported for the single month of April, 1921.

50,000 dozen, valued at \$262,000, as compared with the imports for the same month 1920. Also notice that for the 10 months ending 1921 there was an increase of 303,000 dozen pairs in quantity, valued at \$1,670,000, as compared with the period ending April, 1920.

If prices soared during the war, it was due largely to profits which these wholesalers and retailers put on those goods—wholesalers 50 per cent and the retailers 100 per cent and upward. Those are positive facts, which I can substantiate. I saw in the office of a New York importer, when they were feeling very good, a sign hung up, which read: "May God give us courage to ask for higher prices this day."

Senator WATSON. They evidently got strength.

Mr. PEVNY. They did have it.

Did anybody take the trouble to consult Bradstreet's or Dun's, and compare the importer's ratings before the war with those of to-day, and he will find how much money they made on American goods. The American manufacturer was then good enough for them. I can show you letters they wrote to me bowing down to me and saying, "Give us goods—good boy," and all those sort of things; and now I get telegrams canceling orders when I am 24 hours late.

Talking about exports, how in the world can we ever hope to export if we can not hold our own market? If the importers pretend to practice altruism by saying that they are instrumental in reducing prices of commodities, this is only a subterfuge because they make the same rate of profit on German goods, for the original cost is lower and it is certainly not their merit; it is only through the original costs that the goods appear lower. But their profit is just the same.

I wish to clear up some erroneous statements which exist about American valuation. Inasmuch as only the rate of duty is applied to American valuation, the real cost of goods only is paid by the importer at the depreciated German currency where he still gets the full profit. For argument's sake, we take an article that costs 300 marks and for which the American manufacturer, say, gets \$12; 300 marks equals to-day the mark at \$1.25—\$3.75, add 40 per cent on \$12, the American valuation makes \$4.80—total, \$8.55; adding additional expenses, \$9 landed. Leaving a margin to the importer of \$3 on a dozen—and both of us compete at par. Let then the American public decide to which article they give the preference, and you see by this example that this tariff is not protective, but only a competitive tariff.

Senator McLEAN. Are you satisfied with the rate?

Mr. PEVNY. I am not quite satisfied. I would like to see it 60 per cent instead of 40.

Senator McLEAN. I do not bear it in mind. What is the rate on your product?

Mr. PEVNY. Thirty-five—it was 35 and is now supposed to be 40.

Senator McLEAN. And you want 60?

Mr. PEVNY. Yes, sir. Talking about Canada; I have a friend in Toronto, who is also a large cotton glove manufacturer, and I congratulated him that the Canadian Government has so fully protected them by giving them 12 cents valuation on the German marks. I have got the letter here, which I can show you. And he says, "I am not at all so sure about that, because we are getting a quantity

of goods in through Switzerland, and from appearance they are undoubtedly German goods, and unless the Canadian Government can stop that I am afraid protection will help us very little." Consequently, I say that is the effort of some unscrupulous and resourceful competitor, and there is no protection to the American manufacturer.

Senator SMOOT. There is no reason why they could not ship those German goods to Japan and then Japan sell them there. There is no difference in exchange.

Mr. PEVNY. There is some little difference, as they ship their goods without fasteners, and put the clasps on and say they are finished in Switzerland, and get the consular invoice, and that is the way they go to Canada. That is what my friend was complaining of. That happens to-day.

We are up against an unscrupulous and resourceful competitor whose wages are one-tenth of what ours is, and whose currency is absolutely depreciated, and who has it in his hands to maintain that currency.

The German minister of finance, Rosen, in his telegram of two or three days ago, said it was deceptive because only based on low currency, and they are going to keep the currency at one and a quarter, and to do so only needs to issue more paper money.

Furthermore, every thread, every fastener, every accessory we produce in this country, enters into our goods. There is nothing of that kind imported. Therefore we create certain requirements of accessory industries. For instance, I created a glove with lace insertion. I had a Nottingham lace which I had copied in this country, and beautifully produced, which I am using as insertions. Well, we can use thousands of insertions made of American cotton and manufactured here.

I can only tell you that we are most exceptionally placed to produce and produce better goods than the Germans ever produced, and if we get a chance to continue, to the satisfaction of the American consumer. And certainly it is heartbreaking when we have a nice lot of girls well trained, to whom you can talk intelligently, and have to dismiss them, many of whom are widows with children, I say, it is heartbreaking when we have to tell them there is no work.

If you please, I would like to submit my brief for the record.

Senator McCUMBER. Without objection, you may do so.

BRIEF OF EMIL PEVNY, MANUFACTURER OF COTTON GLOVES.

THE COMING TARIFF—CALL A SPADE A SPADE.

1. The McKinley bill.

According to Brockhaus (the foremost German encyclopedia):

The principal aim of this legislation was to put a stop to the fraudulent customs entries which had been practiced until then by the American importers. It contained, therefore, several prescriptions as to filling out bills of lading, invoices, consignments, etc. Also high penalties for undervaluation. It provides, besides, high monetary fines and imprisonment in case of bribery of customs officers. These stipulations aimed to put an end to the extremely numerous appeals against the official appraisals of which in the fiscal year 1888-89 alone there were filed 25,349 cases. Besides, a further object of this bill itself was to create new industries in the United States. The fear which was felt at the beginning that the McKinley bill would lead to a complete closing of the American market has not been realized. On the contrary, it has been proven by statistics that the total imports have suffered but a slight reduction. This reduction, however, was only an apparent one, as before this bill

went into power the European exporting countries increased their shipments tremendously, so as to avoid the higher tariff, and the figure for that year was far above the normal.

The desire which this bill has created frequently in the countries exporting to the United States to proceed with measures of reprisals by forming a European customs union and closing further importation from America was difficult to carry out, for the reason that the majority of the European States urgently required American products.

2. There is no doubt about it that the same applies to-day and that the American valuation is the only safe basis of assessing the duty on all imported goods.

3. A handful of importers, mostly foreigners and before all Germans, with their customary arrogance and audacity, who are trying to force the hands of American legislators, to impose on a whole nation to accept foreign valuation, are thus adding "insult to injury." If such a treacherous trick should succeed but in the smallest degree, what would be the consequences?

4. That this country will have to follow suit and do the same as England and France are already doing, viz, vote some twenty-five to thirty million dollars per week to feed the army of ever increasing unemployed, instead of giving them an opportunity to earn legitimate wages for work performed. Our workers do not want charity, but work.

5. Most of the importers have their hearts and sympathies outside this country. There is no reason to continue their camouflaging at this time, as the war is over. Furthermore, they do not produce anything, they do not employ labor, they have no manufacturing plants (not in this country, at least), they have nothing invested in machinery and equipment, all of which creates work for the whole nation and money spent here.

6. What have the importers? All they have is an office or warehouse, smaller or bigger, as the case may be, just to receive the finished article and send it out to the retailer with a big profit. Their own investment starts only on the day they pay their invoices.

7. The real reason the importer has in trying to shape the tariff to his liking is fear. In case the American manufacturer should obtain full protection, his existence is menaced. For the American manufacturer will in most branches produce constantly better and cheaper, and thus be enabled to offer his products direct to the retail. The importer well knows that this would be the inevitable outcome. It is exclusively this fear that gives him the audacity to attempt to interfere and influence the framing of any tariff bill conflicting with his selfish interests.

8. Pretending that he has the consumers' interest at heart is ridiculous. Besides, is not every consumer a producer? These are not two distinct classes of our society.

9. Should the importers be permitted to flood this market with all sorts of goods, and put one American manufacturer after the other out of existence? Heaven protect the American public. For the price from the wholesaler to the retailer and from the retailer to the consumer will be gradually raised to a similar level at which the American manufacturer was prepared to sell at the outset, but in which case the cost of the commodity would have been spent entirely in this country. We would not only lose this cost but in most cases the use and cost of the raw material. For the foreign manufacturer will not come here to get his raw material if he can get it nearer home or in countries whose currency is nearer to his own, in comparison with the high dollar.

10. If prices soared during the war it was due to the large profits which the wholesaler and retailer put on. They had the lion's share. The writer saw in the office of a New York importer a sign hung up with the following inscription: "May God give us courage to ask for higher prices this day."

11. Let anybody take the trouble to consult Bradstreet or Duns and compare the importers' ratings before the war with those of to-day and he will find out how much money they made on American goods. The American manufacturer was then good enough for them.

12. Now, talking about exports, how in the world can we ever hope to export if we can not hold our own market? It is imperative to assure the latter first.

13. I congratulated a friend of mine in Canada, engaged in a similar industry, for the prompt introduction by the Canadian Government in assessing the German mark for duty purposes at half its normal value, about 12 cents, whereupon he writes to me that he is not so sure about its advantage, as there are still quantities of goods coming in through Switzerland, which in his mind are undoubtedly of German origin, and unless they find a way to stop this influx the 12-cent valuation of the mark would not be of any advantage to them.

14. Isn't this a conclusive evidence that the American valuation is the only way to safeguard us from a most resourceful and unscrupulous competitor whose motto is and always has been "The end justifies the means?"

15. For those with a short memory, I would recall over again what was printed in all German newspapers during the war when they proclaimed loudly what they have actually practiced, that they were going to destroy all factories in Belgium and France and strip them of every piece of machinery, so that when the war was over while their factories would remain in perfect condition, it would take Belgium and France 15 years and more before they could rebuild their factories. Meanwhile they would conquer all the trade of the world and the other countries would never be able to catch them up.

16. The importers are making themselves accomplices to the same doctrine and are prepared to deal out the same treatment to this country. As I said before, let us tear down the mask of these camouflages and ask ourselves:

17: Are we to become the satellites of Germany and the importers, mostly their agents, or is this country going to remain independent not only as a nation, but as a producer of the requirements of its own people? The importers do not trust the American legislation to apply American valuation, but they wish us to trust them and foreign countries to accept their valuation. With the present low German currency (for 90 per cent hinges on German imports—let us be quite plain and frank about this) that country would enjoy a tremendous preference as compared with other countries with a less depreciated or near normal currency, and it would be most unjust to those countries if any other mode of assessment than American valuation would be applied, while the American valuation treats all countries alike.

18. Conclusion. We have sufficient confidence in the wisdom of the present legislators to believe that they are fully aware of these doubtful tactics and will brush them aside with the contempt they deserve.

STATEMENT OF CHARLES C. ORMSBY, REPRESENTING MANUFACTURERS OF SUÈDED COTTON FABRIC AND GLOVES, WATERFORD, N. Y.

Senator McCUMBER. Do you speak to the same subject, Mr. Ormsby?

Mr. ORMSBY. Yes, sir; the same industry. I represent the Ormsby-Morris Co., of Waterford, N. Y., and six or seven other companies which are interested in the manufacture or processing of suèded cotton cloth and gloves.

I have prepared a very short brief, and I wish to speak on a few points in it.

Senator SMOOT. Why not make it a part of your remarks?

Mr. ORMSBY. I would like to do that, sir, if you please.

These goods that we manufacture were not made in this country when the war with Germany began. We were unable, prior to that date, to make them here. About 1915 or 1916 we got going in a small way. Up to the end of 1918, as you will see by the reports of the Tariff Commission, it got to be a very considerable industry.

I am not at this time addressing myself to the question of the amount of duty that we want as a protective tariff. I came here to speak in favor of the scheme of American valuation on imports.

As I view the situation, the Government of the United States needs revenue, all the revenue it can get for its requirements, both from imports and from our home manufactures, and from every other source of income that can be devised. I make the point that the existing system of foreign valuation of imports is a failure.

Of the difficulties which surround it I quote from a textbook entitled "Bender's Federal Revenue Law—Customs Revenue," page 346, which appears to me to show the unsatisfactory result of attempting to lay a duty on a valuation in another country.

We consider that the results of the present tariff in money to the United States Government have been far below the estimates, and the reasons for these inadequate duty collections may be twofold—the very low valuation, due to the cost of labor in foreign countries,

or evasion of duty. The low cost of labor in some countries, compared with our own, is incredibly low; and by that I mean that men in the business who are making these things can not believe how low it is.

Our industry to-day is at a standstill; and the reason that it is at a standstill is because of German competition. Under the present law the value is determined by a consular representative, in case of dispute, who inquires in the foreign country.

I would like to ask this—this is a proposition for the Finance Committee to find out how to raise the revenue, and the question is, What is the best way to do it? Will you delegate foreign or local American officers to go abroad and ascertain a duty from people who are against furnishing straight information, and thereby putting it out of the hands of the United States Government to control that situation, or will you take the American value, where you have a control by legal power of every citizen to get at whatever facts the Government wants to know about imports, costs, and market values?

In other words, it looks to me as if this huge machine of the United States Government had actually sent out of the country and given to the citizens of other countries the privilege of fixing duties on imports into this country instead of going right into our own market to get them established.

I wish to bring up also the point that the popular understanding of dutiable value is the American price.

Ours is a representative system of government, and the views and the thought of the American people should be considered. American valuation should be adopted, because, when an ad valorem rate of duty is mentioned, the ordinary, average business man and citizen involuntarily supposes that the value used means the price with which he is acquainted, that is, the price in the American market.

The law should be so stated as not to be misleading to our citizens, but to represent public opinion. To the average citizen the duty of 30 per cent ad valorem or 40 per cent ad valorem means that percentage on values as the public knows them; in other words, the market value in the United States.

There is one other point that I wish to bring up, and that is the most-favored-nation clause—

Senator McCUMBER. You have your brief printed, and I do not believe there is any use in wasting time. I think the committee has heard that and they are settled in their conviction that there would be nothing against the favored-nation clause. It seems to me a waste of time. It is in your brief and you are going to have it printed.

Mr. ORMSBY. As to the legal validity, as to whether that is a legal objection, perhaps the committee is right; but on the question of whether it is a moral objection, whether we do not owe it in honor to the people with whom we have such understandings, to put them right on the same footing as Germany, which can undersell them all, I do not know that that matter has been discussed. In other words, our allies, England and France, come into our market along with Germany, absolutely unable to meet her because our ad valorem duty on the low labor cost German goods amounts to but a small fraction of the duty imposed on identical French or English manufactures. Therefore, I believe that we, in honor, at any rate, whether it is a legal obligation or not, should allow our allies to get in here just as cheaply with their goods as Germany does.

I have 14 or 15 of these briefs for the members of the committee.

Senator McCUMBER. We will have the brief printed as a part of your testimony, if you wish.

Mr. ORMSBY. Very well, sir. Shall I leave any copies?

Senator McCUMBER. If you please.

Mr. ORMSBY. That is all I desire to say.

Senator McCUMBER. We are much obliged, Mr. Ormsby.

Is Mr. Thomas White present?

Mr. ORMSBY. Mr. White is not here.

BRIEF OF CHARLES C. ORMSBY, REPRESENTING MANUFACTURERS OF SUEDED COTTON FABRIC AND GLOVES.

Need for revenue.—The requirements of the Government for revenue at present and for many years to come are so vast that every possible source of income must be resorted to, not only from imports but all other available means.

Existing system of foreign valuation of imports a failure.—Under present system the returns from duties on imports are an empty shell as a revenue producer, not one-fourth of the estimated duty under the Underwood tariff being collected.

Of the difficulties of enforcing the existing customs laws we quote from the textbook entitled, "Bender's Federal Revenue Law, Customs Revenue," page 346, which says:

"The customs service is elaborate, and its proceedings are technical. In early days things and men were taken somewhat at face value, but, with the development of modern commercial complexities and inequalities, it has been necessary to devise and enforce the strictest possible supervision. An extensive use is made of oaths, but practically nobody is believed. Invoices, manifests, valuations, book entries, correspondence and statements are all subjected to a rigid checking which begins abroad. Meticulous regulations and far reaching detectivism prevail. Importers themselves, incited by competition, have helped to elaborate the scheme. Nor is it possible to administer an extended, complex customs law by any other means.

"A detailed invoice must be prepared at the place of exportation, and have indorsed upon it a declaration sworn before an American consular officer covering much detail as to origin, market value or cost, etc. Except as to \$100 of personal luggage, no entry can be made of any importation without the production of a certified invoice (or other sworn papers in special instances where the collector may conduct a searching examination).

"A consular certificate does not establish the truth of a value given. Upon entry by invoice a sworn declaration must be filed by the importer in a form officially prescribed (now by regulation, not by statute). Fraud or falsity involves a penalty for each offense up to \$5,000 or two years in prison, or both, besides forfeiture of the goods or their value."

The reason for inadequate duty collections may be twofold—either low valuation due to low cost of labor in foreign countries or evasion of duty. The low cost of labor in some countries compared with our own is incredibly low—in Germany less than one-fourth of the American wages and in Japan much less than in Germany. The amount of loss of duty under estimates is probably due to imposition on customs officers and evasions.

The American manufacturer can not pay taxes if he loses his business. Goods are bought in the cheapest markets, other conditions being equal. Therefore, if Germany offers articles competitive with American manufacturers at lowest price, Germany gets the business and the American manufacturer loses the business. The United States Government, State, county, town and city governments all tax the American producer, but if the American manufacturer loses his business there is nothing to produce a tax, except the exceedingly small customs duties now existent.

Low valuation.—Under the present law the value is determined by a consular representative in case of dispute, who inquires in the foreign country, and as it is to the interest of the foreign exporter and the American importer to get the duties fixed at the lowest possible amount of duty, the customs officer is practically obliged to accept the *prima facie* figures produced.

American valuation.—If, instead of this ancient method of ascertaining value, we take as the standard value of commodities the value in the American market, then a basis is established which can be easily arrived at and over which the Government has complete control.

Popular understanding of dutiable value is the American price.—American valuation should be adopted because when an *ad valorem* rate of duty is mentioned the ordinary

and average business man and citizen involuntarily supposes the value used means the price that he is acquainted with; that is, the price in the American market. The law should be so stated as not to be misleading to our citizens, but to represent public opinion. To the average citizen a duty of 30 per cent ad valorem or 40 per cent ad valorem means that percentage on values as the public know them, in other words, on the market value in the United States.

Most-favored-nation clause.—In times of peace the nations of the world are bound together with treaties; such treaties between self-respecting nations generally contain the most-favored-nation clause. Now under the present system of duty on a like article that might be produced in any country if such article comes in from Germany it would be taxed say \$1 per unit. If it came from France the duty might be \$2. If from Great Britain it might be \$3. In other words, the article would not come into the United States on the same amount of duty from any two countries. Would not the country that had to pay more than another to land its goods here have a grievance? Would not this contravene the most-favored-nation clause in our treaty compacts?

Why continue a tariff law that practically vests in foreigners the appraisal of duties over which the United States has no practical control?

The question is whether an antiquated and inadequate system of ascertaining duties bound and sewed up with years of unbending precedent shall be continued or a new elastic and workable system be substituted in its stead, which will be effective in collecting the duties intended by Congress to be secured.

The rate of duty is determined by Congress according to Government needs or policy; the question here is how to make its collection certain.

The objections raised by importers are simply a polite way of saying that the objectors do not want to pay the amount which Congress decides they shall pay.

The adoption of American valuation will go a long way toward removing the tariff question from politics because American manufacturers have no confidence whatever in the present system of valuation and from sad experience know too well the disastrous effects on their industries. We, therefore, urge the adoption of American valuation, as recommended by the Ways and Means Committee.

This petition or brief is submitted by Charles C. Ormsby, of Waterford, N. Y., on behalf of the following manufacturers of sueded cotton fabrics knit on warp knitting machines and gloves made therefrom, a new industry established during the war and to-day arrested and standing still through influx of German competitive imports.

Ormsby-Morris Co., Waterford, N. Y.; O-M Glove Corporation, Waterford, N. Y.; New Fabric Cloth Mills (Inc.), Oswego, N. Y.; Merrill Silk Co., Hornell, N. Y.; Fulton County Silk Mills, Gloversville, N. Y.; Fonda Silk Fabric Co., Fonda, N. Y.; Backner Bros. Co., Gloversville, N. Y.; Grewen Fabric Co. (Inc.), Johnstown, N. Y.; Kingsley & Mansfield, Northville, N. Y.

Senator McCUMBER. Mr. Ernest Jones is the next speaker.

STATEMENT OF ERNEST JONES, MANUFACTURER OF SUEDED COTTON CLOTH, GLOVERSVILLE, N. Y.

Mr. JONES. Mr. Chairman and gentlemen of the committee, I make the sueded cotton cloth that goes into the manufacture of these gloves. Before the war we imported cloth, as we could not make it in competition with Germany with 30 per cent duty at that time. While the war was on we made it successfully, first using English yarn, the same as the Germans used, and later we used American-made yarn entirely. We sold the cloth to numerous fabric-glove manufacturers, including many of those who are now importing again.

While the war was on these same importers who are fighting against American valuation used our goods. They complimented us on the quality of product and progress we made and encouraged us to go ahead and erect new plants and put in more machinery and increase production. Now the German-made goods are coming in in floods, and we have absolutely no demand. The two mills that we ran almost exclusively on the cotton and sueded Atlas cotton cloth are shut down entirely. We hung on, hoping for an adequate tariff

to protect this industry, but now all our machinery for making these gloves is closed down. We will start the machines up again if we can get American valuation.

I have just returned from England, where I saw the secretary of the British Fabric Glove Manufacturers' Association. He has no business. The British fabric-glove manufacturers are shut down entirely on account of the cheap German competition owing to the low rate of exchange and cheaper German labor. I saw in numerous dry-goods stores in Great Britain German-made fabric-gloves offered at half the price of the native-made goods and no stamp showing the country of origin.

Nearly all our machinery is American made, all the raw materials are American grown and spun, and our help is American. Many of them fought the Germans during the war in Europe. They only understand American, so give us American valuation and help our American people and let the little "Fritzes" and the "Big Berthas," for whom the importers are pleading, look after themselves.

I thank you, sir.

STATEMENT OF THOMAS H. HALL, REPRESENTING THE FABRIC GLOVE MANUFACTURERS' ASSOCIATION, JERSEY CITY, N. J.

Mr. HALL. My name is Thomas H. Hall. I represent the Fabric Glove Manufacturers' Association, and I am also president of H. S. Hall & Co. and vice president of W. B. Chant & Son (Inc.), of Port Jervis, N. Y. I appear before you in behalf of the Fabric Glove Manufacturers' Association to urge you to adopt the American valuation plan in the tariff bill.

We started this business, as the other gentleman said, during the war as an absolutely new industry, and we reached a maximum production of about 1,300,000 dozen in 1918, as shown in the second annual report of the Tariff Commission.

The business had been considerably developed up to that point. Since that time we have been tapering off, so that at the present time we have nearly reached the vanishing point, with very little being done.

There are a few factories, believing that this tariff matter would be settled before this, that have put quite a little money, which they are pretty sure to make a loss on, into stock for the fall trade. They are working on the balance of their cloth, cutting it up and doing their best to keep at least a skeleton organization together pending your settlement of this tariff matter.

In looking over the matter of labor conditions it seems to us that nothing but the American valuation plan can possibly help us through. We do not want to be unreasonable in asking for rates, and I do not propose to mention rates here; but the American valuation plan, in considering German labor, seems at once essential.

One of our members was in Europe about April, 1914, if I am not mistaken, and he brought this information which may be of some value to you—that of the female workers in our industry, in Germany, in March, 1914, the average wage was about 15 marks at the normal rate of exchange, which would amount to \$3.57 per week. The male workers averaged 35 marks. At the normal rate of exchange that would be \$8.33 per week.

When he was there early this year he found that the female workers had gone up to 150 marks, which, at the present exchange of about 1.25, would amount to \$1.88. The male workers have gone up to 300 to 350 marks. My information is, I might say, that it is a little lower than that; but say 350 marks. At 1.25 it would be \$4.38.

So we find that the actual labor costs in Germany at the present time appear to be a little more than one-half of what they were in 1914.

Our labor costs, on the other hand, have doubled since that time. We are paying our people a different rate of wages according to proficiency; but the women are getting, I believe, on an average, \$22 per week for a 48-hour week, and the men are receiving \$35 to \$40 a week. That shows that we are paying ten times the amount for our labor that Germany is paying for hers. You should also take into account that every material that we use to-day is a product of American labor—American cotton, American clasps, American thread—we may use a little bit of silk in the trimming, but outside of that everything is American, and it all really represents American labor.

So that we are tremendously handicapped by the difference in labor in Germany. It does seem to me that Germany is really capitalizing her condition, her low rate of exchange.

I read in the Herald on July 9 an article referring to Hugo Stinnes, in which it was stated that big combinations were being formed over there altogether for the purpose of acquiring our trade and building a fleet. It does seem to me that we are running a risk if we do not put some kind of a barrier up against this depreciated rate of exchange. We are running the risk of having all our markets, not only our foreign markets, but our home markets, taken away from us to a great extent. I really believe, myself, and I am sure you gentlemen on this committee will agree with me, that we have got to consider the Americans and not the Germans in this matter.

And then another matter. If we want revenue we can get more revenue for this country out of the American valuation clause than we possibly can get out of the present method, and it will make them all pay the same. That has been pointed out many times.

There is just one other point, and that is this: There is no question in my mind but that we can show comparable and competitive American products to the appraisers by means of which they will be able to put a proper American valuation upon our class of merchandise. I can not speak for other classes of merchandise, but I do feel that with regard to ours. I do not think the appraiser will have any difficulty in doing it. We are willing to cooperate to that end.

I thank you very much, and am sorry to have taken your time.

**STATEMENT OF CHARLES S. HOLLANDER, VICE PRESIDENT OF
ROHM & HAAS CO., BRISTOL, PA.**

Mr. HOLLANDER. Mr. Chairman and gentlemen, my name is Charles S. Hollander. I am vice president and chemical director of Rohm & Haas Co., in Bristol, Pa. I am appearing instead of Mr. Otto Haas, who was scheduled for to-day, because he is necessarily absent on account of other appointments.

Senator WATSON. Just what do you make?

Mr. HOLLANDER. We make chemicals for the textile and leather trade. We are manufacturers of hydrosulphites and sulphoxylates, potassium-antimony tartrate, synthetic tannins, etc.

These have all been considered in the proposed bill and these schedules have been based on their American valuation. If the American valuation is withdrawn from this schedule of rates we will have no protection whatever. As it is, the protection granted is very scant indeed, but we hope, in some instances at least, to make good and stay in the market, while in other instances we are afraid that we will permanently have to stay out.

Senator WATSON. Where is your principal competition—in Germany?

Mr. HOLLANDER. Yes, sir; Germany and in some respects England.

Senator WATSON. Are they coming in now from Germany?

Mr. HOLLANDER. Yes, sir; in very great amount. Since last December enough sodium hydrosulphite has been imported from Germany to supply the American market for almost three-quarters of a year at the rate it was used in 1913. Those importations are steadily going on.

Senator WATSON. If American valuation is retained in this bill are you satisfied with the rate?

Mr. HOLLANDER. If the American valuation is retained we would be fairly well protected.

Senator WATSON. And if the American valuation is not retained, what rate would you have to have to protect you?

Mr. HOLLANDER. We would have to ask for about 15 cents specific and 50 per cent ad valorem for the hydrosulphites and sulphoxylates, because we have to guard against German importation, which is the most menacing for us. The English importation does not come into consideration just now, because they can not produce nearly as cheaply as the Germans can.

Just one word as to the feasibility, as we see it, of the American valuation plan.

In regard to chemicals there is absolutely no difficulty whatever in showing comparable and competitive goods. One chemical can be analyzed and stated in percentages of purity just as well as any other, and there is absolutely no trouble in making a comparison of competitive goods. There is absolutely no difficulty, either, in ascertaining the American value, because we have never had any trouble in finding out prices that we wanted to know, and there is no reason why the appraisers could not have the same facility as we as a private firm have.

Senator WATSON. Did you make any of these chemicals before the war?

Mr. HOLLANDER. We made artificial bates and other preparations for the tanning industry before the war, but since the war we have started the manufacture of titanium potassium oxalate, tartar emetic, hydrosulphites, sulphoxylates, and synthetic tannins.

Senator WATSON. Under the prohibition afforded by the war?

Mr. HOLLANDER. Yes, sir; and as I pointed out before, they are very, very important to the welfare of the American manufacturer of textiles and medicinals. However, I shall not mention that now. I want to point out that it is very easy to find the value of our goods,

or other chemicals, for that matter, in the American market, and there is no doubt that these quotations could be had at the port of entry or the chief place of use. You can check up all these data, either by getting the information directly from the manufacturer, or from the consumers. I think in that way I can show that as far as the chemical schedule is concerned all the way through it would be a very easy matter to ascertain the value of comparable and competitive goods in this country.

That is why we would ask you respectfully to base all our future tariff laws on American valuation.

STATEMENT OF W. W. NICHOLS, REPRESENTING THE ELECTRICAL MANUFACTURERS' COUNCIL, NEW YORK, N. Y.

Senator WATSON. Give your name and what you manufacture.

Mr. NICHOLS. W. W. Nichols. I am a member of the tariff committee of the Electrical Manufacturers' Council and an officer of the Allis-Chalmers Manufacturing Co. I am here, however, in another capacity. What I shall say, I hope, will shed a side light to strengthen the perspective. I want to deal with the question of American valuation versus foreign valuation in the abstract, perhaps giving a point of view that has not been presented before.

Five years ago, in 1916, I headed an American industrial commission that traveled through France at the invitation of the French Government, extended to the American Manufacturers' Export Association. We were in the hands of the French chambers of commerce, who have, as you gentlemen perhaps know, an official standing in France that chambers of commerce in this country have not. The limited membership is composed of the leading industrials of their several districts who are elected to such membership.

We had business conferences with a large number of the principal chambers throughout France. I believe that by that means we were able to collect a fund of valuable information in a comparatively short time in a very unusual way.

I shall content myself with reading a few extracts from our report and leave the rest to your imagination. I shall file this copy after I have read it, if I may.

These are quotations abstracted from this report:

The commission anticipated that it would be called upon to discuss this much mooted question at Limoges, and made its preparations accordingly. Reference is made to it here only because there have arisen difficulties through our tariff administration, which in their continuance can only act as deterrents to the extension of our trade (p. 20).

An international device (tariff) which should be certain and uniform in its action is so disturbed by fluctuations of both rates of exchange and prices as to make proper application impossible and to appear to impugn the honesty of innocent parties. For the sake of the world trade, which is destined to become of growing importance in the commerce of the United States, most serious and early attention should be given this phase of our tariff law (p. 21).

(From chapter 3, on "Trade and tariff":)

Another very important matter affecting our trade with France is the tariff question. Past tariff difficulties between France and the United States led to a continuous reference to the subject on the part of our French friends * * * All France is informed regarding the notorious Limoges china case. This unpleasant incident has left a profound resentment in French manufacturing circles, and was frequently used as an illustration of what was found most objectionable in our customs adminis-

tration methods. The difficulty of establishing the dutiable market value and the unwillingness of our Treasury Department to accept their invoice value as correct are annoyances; but above all the insistence of our special Treasury agents upon the right to inspect private books, the labor costs, the costs of raw materials, etc., is particularly resented. They feel this last to be an unwarranted intrusion upon the private affairs of the citizens of a friendly nation, and they can not be convinced that information of this kind, if given, will not be diverted to improper use and reach their competitors in the United States.

I think, gentlemen, I can leave this with you at this point. I thank you.

Senator McCUMBER. We are very much obliged to you.

The committee stands adjourned until to-morrow at 10.30 o'clock a. m.

(Whereupon, at 5.06 p. m., the committee adjourned until to-morrow, Wednesday, August 3, 1921, at 10.30 o'clock a. m.)

Wednesday, August 3, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Curtis, McLean, Reed, Calder, Walsh, and Simmons.

The CHAIRMAN. The committee will come to order.

The committee was supposed this morning to begin with the hearings on the dye question, but as a gentleman was left unheard yesterday on the American valuation, through the courtesy of Senator McCumber, who was then presiding, he was promised that he would be heard to-day.

I will therefore call on Mr. Riotte to submit the rest of his views to the committee, with the sincere hope that he will make them as brief as possible, as we must abbreviate these hearings, not only now, but permanently hereafter. The committee will then proceed to hearing those gentlemen who are interested in the dye question.

STATEMENT OF C. T. RIOTTE, REPRESENTING THE VEILING ASSOCIATION OF NEW YORK.

Mr. RIOTTE. Mr. Chairman and gentlemen of the committee, I am representing the Veiling Association of New York. Personally I am a buyer, and I buy abroad and in the United States. I want to explain that in buying veilings abroad we buy not from stock for immediate delivery, but goods to be manufactured and to be delivered anywhere from one to six months from the date the order is placed.

Senator SMOOT. You do that same thing with the American manufacturer, do you not?

Mr. RIOTTE. No, sir.

Senator SMOOT. You are about the only one, then, who does not.

Mr. RIOTTE. Of course, it is perfectly obvious that no one can buy merchandise safely unless he knows what it is going to cost him.

Under the American valuation plan that has been suggested it is going to be impossible, it seems to me, for the importer to tell what the merchandise is going to cost him. Under the present law market value has been held to be the price at which a commodity is freely offered for sale in the usual course of trade and usual wholesale quantities on the date of exportation. But the Board of General

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cally 11 years, so that I know something about how to appraise. Veilings can not be appraised by picking up a piece, looking at it, estimating the cost of production, and then adding a fixed percentage for profit. You can not arrive at a correct figure on that basis. Veils are artistic; they are articles of style; and style and design are everything in the veiling industry. There are thousands of patterns, and all invoices of veilings which come into the United States at the present time state from whom they were purchased, when and where they were manufactured, the pattern number, and the prices paid. A record can be and is being made by the Government examiners of every pattern of veilings imported into the port of New York. With all that information, it is comparatively easy for the Government examiner to arrive at the fair market value, but he has to have that information to reach his conclusion.

The importer buys abroad in large quantities and peddles his goods out here in small quantities.

I could not help but get the impression from the testimony which I have heard given before this committee that the American valuation plan was designed to permit the American manufacturer to compete with his German competitor. In that connection, I think it is fair and just that it should be applied to those goods which are made in Germany and with which the American manufacturer can not compete, but why apply it to goods not made in Germany—goods which come from countries that were our allies during the war and with which we are on the friendliest terms.

If you are going to adopt the American valuation plan; if you think that is the only way to affect the result of protecting the American manufacturers, why not apply it either directly or indirectly to those particular goods that you desire to protect.

Senator McCUMBER. In other words, you would have two plans, or perhaps three of them. One would be the American valuation plan, one would be the specific duty, and another might be an ad valorem rate based upon foreign value.

Mr. RIOTTE. I certainly would; because it is the only way, so far as novelty goods are concerned, that they can be appraised; that is, on the initial foreign cost. You have something similar in the present act.

The CHAIRMAN. Is that all?

Mr. RIOTTE. Yes; I think so.

[Hearings on Dyes Embargo were then taken up and those on American Valuation were resumed on Wednesday, August 10.]

Wednesday, August 10, 1921.

The committee met, pursuant to adjournment, at 2.30 o'clock p. m., in room 312, Senate Office Building, Hon. Reed Smoot presiding.

Present: Senators Smoot (acting chairman), McCumber, La Follette, Dillingham, McLean, Watson, Calder, Sutherland, and Jones.

STATEMENT OF NATHANIEL VAN DOREN, CUSTOMS AGENT, UNITED STATES TREASURY DEPARTMENT, PORT OF NEW YORK.

Senator SMOOT. What is your present occupation?

Mr. VAN DOREN. I am a customs agent of the United States Treasury Department, at the port of New York.

Senator SMOOT. How long have you been in the service?

Mr. VAN DOREN. I have been in the service since 1901 in various positions. I was out during the war and returned after the armistice was signed.

Senator SMOOT. Are you an appraiser?

Mr. VAN DOREN. I am not, sir. I am one of the officers employed in the prevention and detection of fraud upon the customs revenue. The duties of those officers are not confined to appraisement, and, in fact, they have no official authority to appraise. The duties are rather supervisory and investigative.

Senator SMOOT. Have you ever been an appraiser?

Mr. VAN DOREN. I have not, sir.

Senator SMOOT. Will you proceed, Mr. Van Doren, to inform the committee, as far as your knowledge goes, as to whether you think that the American valuation can be adopted, and, if so, what are its advantages and, if not, what are its disadvantages; and if you care to I would like to have you compare the American valuation system or plan with that which is now in vogue, or, in other words, the foreign valuation.

Mr. VAN DOREN. For the past 18 years I have had occasion to observe very closely the operations of the foreign valuation basis for the assessment of ad valorem duties. During most of that time I have worked at the port of New York, where over 60 per cent of the importations into this country are received.

There has been during that time, under my personal observation and knowledge, considerable undervaluation by foreign shippers, and in some cases by domestic importers.

In using the term "undervaluation" I do not wish to be understood as saying that all such undervaluation was fraudulent. There are many cases where the shipper or the importer stated the cost of the merchandise at the time of purchase or at the time the consular invoice was presented for certification, and the actual date of shipment, being subsequent thereto, there came about a change in value which resulted in effect in an undervaluation and possible loss of revenue had the invoice statement been accepted.

The foreign investigating service has a great many reports showing that the difficulty of obtaining the actual foreign value as defined by law makes it impossible to appraise all merchandise at its true foreign value. It has thrust upon the appraiser and the appraising officers the responsibility for passing the entries at the best value they can determine upon, and the result is that, in my judgment, nearly all the import entries are passed as entered; and where passed as entered no question of value is raised, and no one can ever know the amount of undervaluation or loss of revenue that is the result of that condition.

I have been pretty closely associated with appraising officers in my various lines of work, and I know they are a highly conscientious and able body of men. I know, too, that in many cases they fall naturally, as is human, into the habit of trusting the importers with whom they come in daily contact, and, by such contact, learn to believe they are honest. In cases of that kind the appraisers almost inevitably appraise the importer and not the merchandise.

They have a very serious task before them, and, on the whole; I think it is performed with an unusual degree of success. But I can not believe that the Government receives the proper measure of

protection to the revenue by the existing system which the law contemplates.

I came to the study of the American valuation plan with an open mind. I had no prejudices one way or another. I have examined the language of the Fordney bill and I can not see, as a man with experience in customs work, any insurmountable obstacle to carrying out its provisions, provided proper preparation is made before the bill becomes a law.

Senator WATSON. Before you go to that. You were talking about the qualifications and character of those representing the Government in various customs offices. Do you know whether or not those men, to any considerable degree, consciously or unconsciously are influenced by their political ideas as to free trade or protection?

Mr. VAN DOREN. I have never observed such condition, sir. Those men are, as a rule, most conscientious.

Senator WATSON. It has been very freely charged that nearly all the men in the customs service over there are Democrats, and therefore free traders, and they naturally, following their inclinations, are inclined to make appraisements accordingly. I was wondering whether or not you had met that or come in contact with it in your service.

Mr. VAN DOREN. I would not like to make such a statement, Senator, because my experience would not bear it out. There are always exceptional instances, however.

Senator WATSON. Yes, certainly.

Mr. VAN DOREN. It has been freely stated that immediately upon the passage of this bill there would be congestion in the appraisers' warehouses and the present officers would be confronted with a task which no human beings could perform. This being due to the necessity of immediately ascertaining the American value of comparable and competitive merchandise, in my judgment it will be necessary for your committee to consider the necessity of making some preparations for this situation by investigation prior to the passage of the act. There are plentiful investigating agencies of the Government by which such inquiry could be made. I presume that money would have to be furnished by appropriation. That is a detail.

Senator JONES. Do you believe that those inquiries should be made and there should be a valuation ascertained for the various commodities prior to the putting into effect of the act?

Mr. VAN DOREN. I think the investigation should be made and the current values of commodities which are known to be of a class which will be competitive should be ascertained and proclaimed by the Secretary of the Treasury or other competent authority for the guidance and assistance of the appraising officers.

Merchandise is ordered, as a rule, considerably in advance, and it is shipped considerably in advance of the delivery of the merchandise itself, and always the invoices and other advices from the foreign shipper are in the hands of the customs authorities long before the merchandise arrives. It would take some considerable work to keep abreast of the situation and prepare, but I believe that the vast majority of the kinds of merchandise could be prepared for. I am speaking now of merchandise that is known to be comparable and competitive.

Senator SMOOT. And along that line, that it has been coming in in the past and about in the same qualities and quantities.

Mr. VAN DOREN. Exactly.

Senator JONES. Then may I inquire further. These prices are varying from week to week, are they not?

Mr. VAN DOREN. Yes, sir.

Senator JONES. How do you manage to keep abreast of the times?

Mr. VAN DOREN. The price is the price at date of foreign shipment.

Senator JONES. But that date changes from week to week.

Mr. VAN DOREN. Not with respect to that particular shipment.

Senator JONES. But with respect to the valuation.

Mr. VAN DOREN. The value on the date of shipment is the value I have in mind, sir.

Senator JONES. How would you ascertain the value of the competitive article as of that given date, the date of shipment?

Mr. VAN DOREN. By inquiry covering the date.

Senator JONES. In other words, you would have to revise your valuations every day?

Mr. VAN DOREN. Not necessarily, sir. I think the American manufacturers of goods which are known to be competing goods with foreign articles will be very ready to assist the appraisers by furnishing them daily bulletins as to values.

Senator JONES. How many foreign articles would you estimate would come under the provisions of this bill upon which the American valuation would have to be ascertained?

Mr. VAN DOREN. I am not able to give you an estimate, Senator. It may be 20 per cent; it may be 40 per cent; I can not say.

Senator JONES. You hardly get my question, I believe. How many various articles coming in under the provisions of this bill would have to be considered by the customs officers in fixing the American valuation?

Mr. VAN DOREN. I am afraid I can not answer that, sir. There will be some witnesses to follow me that are more intimate with appraisement conditions and who may be able to give you that answer.

Senator JONES. Are you acquainted with the number of commodities imported which would come under this bill?

Mr. VAN DOREN. No, sir.

Senator JONES. How, then, can you arrive at the conclusion that this ascertainment of value is not a very big job?

Mr. VAN DOREN. Oh, it will be a big job. Anyone who comes here and advises this committee that this can be done easily and simply will be trying to mislead you. I do not think it can be done easily and simply. I did not mean to convey that impression.

Senator JONES. I got a wrong impression, then.

Mr. VAN DOREN. If I conveyed that impression, I was in error, because I did not mean to say so.

Senator SMOOT. It is not done simply and easily with the foreign valuation.

Mr. VAN DOREN. By no means.

Senator JONES. With the foreign valuation you take the sworn statement, do you not, *prima facie*?

Mr. VAN DOREN. In many instances; yes, sir.

Senator SMOOT. That is what we expect to do with this before we get through with the bill.

Senator JONES. There is no provision in this bill, so far as I have been advised, as to the importer having to swear to the American valuation of the competing article.

Mr. VAN DOREN. As to the details of administration under this bill I would not like to be called upon to express a full opinion. The practices which have been followed for many years in the customs service would undoubtedly be availed of in future transactions under this new provision. It seems to me it is simply a change from the basis of the foreign value to the American value in cases of articles where such value can be ascertained.

Senator JONES. The legislation, in instances with which I am acquainted, unless I am entirely wrong about it, takes the purchase price, does it not? And you do not have to inquire into the market value of the foreign product in the foreign country?

Mr. VAN DOREN. I would prefer to have one of the appraising officers answer that question in detail.

Senator SMOOT. You have already stated it to the committee. You have said it was not the purchase price. It is the price or the value on the date of exportation. The purchase price may have been made six or eight months before.

Mr. VAN DOREN. That is true, as I understand it; but the Senator's question deals with a detail of an appraisement that I think should be answered by an appraising officer.

Senator DILLINGHAM. That goes back to a statement that you made in the beginning. I understood you to say that your work had been in connection with cases of undervaluation?

Mr. VAN DOREN. Not for several years. I had several years' connection with that work. For the past several years I have been investigating drawback claims. I presume that I was called before this committee because of my varied experience. I have been chief clerk in the appraiser's warehouse in New York, secretary to an appraiser, private secretary to two assistant secretaries in charge of customs; I was special agent in charge at New York and directed an investigation into undervaluations, but did not perform the detail work myself. I have a general view and knowledge of customs procedure.

Senator DILLINGHAM. What has been the result of your observation in respect to the question of undervaluations?

Mr. VAN DOREN. In the past?

Senator DILLINGHAM. Yes.

Mr. VAN DOREN. I think they have been persistent and continuous in a great percentage of the importations and will amount to sufficient in money to present a very serious loss to the revenue if not checked.

Senator LA FOLLETTE. About what percentage of undervaluations do you have of the total imports in New York?

Mr. VAN DOREN. That would be guesswork on my part, Senator. I would not like to say.

Senator CALDER. Would it be 10 per cent?

Mr. VAN DOREN. I doubt if it would. I think it would be less than 10 per cent.

Senator LA FOLLETTE. Do you think it would be less than 5 per cent?

Mr. VAN DOREN. It might be as low as 2 per cent; but that is guesswork also. I know it exists, and I know it exists continually, and the bulk of it, in my opinion, is never discovered.

Senator DILLINGHAM. When you speak of importations you are speaking of the gross importations?

Mr. VAN DOREN. Yes, sir.

Senator LA FOLLETTE. If it is never discovered it is pretty speculative to say how much it is.

Mr. VAN DOREN. I admit that, sir. I am expressing an opinion, but it is based on my past experience and observation.

Senator LA FOLLETTE. You spoke of the appraisers coming to believe in the integrity of the importers.

Mr. VAN DOREN. Just as a banker believes in the integrity of the men to whom he loans money, sir.

Senator LA FOLLETTE. You have been for a great many years working in the department for the discovery of frauds. Do you think that possibly you have come to look upon all people as guilty of fraud?

Mr. VAN DOREN. That would be a natural tendency.

Senator LA FOLLETTE. That is a natural tendency, is it not? You have tried to keep yourself from that?

Mr. VAN DOREN. I have studiously tried to avoid that. In fact, unless I have evidence I do not permit myself to form an opinion. I have made that a rule for many years.

Senator SMOOT. But you do know that there are a great many cases of it?

Senator McLEAN. These undervaluations are due, in a measure, to the difficulty of ascertaining the foreign valuation?

Mr. VAN DOREN. I think in many cases they are due very largely to that difficulty.

Senator McLEAN. You think that the difficulties of securing foreign values in the case of an undervaluation of an importation that is undervalued would be commensurate with the difficulties of obtaining domestic valuation?

Mr. VAN DOREN. I believe that we could get domestic values in a very much more satisfactory manner after it is once established. The difficulty is going to be the inauguration of it. I think that after the system is once established it will work well. We have here machinery to compel the attendance of witnesses, the production of books, papers, records, cost accounts and every other item we need to determine values, and we can not get that from the foreign shipper.

Senator McLEAN. Outside of this 2 per cent or 3 per cent or whatever percentage it may be, the difficulties in securing foreign values on the whole importation must be considerable?

Mr. VAN DOREN. I should say so.

Senator McLEAN. And with conditions as they are now and probably will be for a great many years to come those difficulties will not diminish?

Mr. VAN DOREN. I do not see how they can; and in view of the depreciated currency condition and the widespread business depression throughout the world, we may say, I think the time has come when this country must do something to insure the protection of its customs revenue. There never was a time when we needed to

get every dollar more than now, and I do not believe the foreign valuation system is going to insure that result as well as we can when we can control the values ascertained here.

Senator McLEAN. From your experience are you willing to give the committee any opinion as to the length of time that will be required to arrive at the domestic valuations so that importations can be received and assessed? Of course it will depend upon the force, and so forth; but assuming that the matter is taken up in a businesslike way and with a determination of solving the problem if it can be solved and if the necessary funds are had, how long a time would be required?

Mr. VAN DOREN. Not basing this upon my own estimate but basing it upon the estimate of a man whom I consider to be an authority on appraisement—we were discussing the matter and he said that with 50 experts he could make the necessary preparations within three months.

I do not think that I am as competent to express an opinion as a man who is an expert in appraisements.

Senator SMOOT. You may proceed.

Mr. VAN DOREN. I would like to point out to the committee that nearly everything I am saying is a matter of judgment and opinion based on my experience. I am not qualified as an expert appraiser but I am qualified as a practical customs man with a great many years of active work—

Senator McLEAN. You have been there 18 years?

Mr. VAN DOREN. About 18 years.

Senator JONES. Have you ever had any occasion to consider values in the United States with a view of levying a tax upon merchandise?

Mr. VAN DOREN. No, sir; but I have had occasion to consider values of a tremendous variety of American products which are exported abroad and in connection with my investigation of drawback claims, where I have had to go into factories, study the methods of manufacture, the kind and quantity of materials, the various kinds used in producing export products, the manner in which they are accounted for, costs, wastes; and all the details essential to determine the amount of drawback payable on an exported unit.

Senator JONES. That has been an investigation of particular transactions, has it not?

Mr. VAN DOREN. Yes, sir.

Senator JONES. Where the prices in this country vary, how would you ascertain the competitive value or price?

Mr. VAN DOREN. There are certain principal markets in this country for most staple products. I believe it would be necessary to have investigations made and the principal market proclaimed by the Secretary of the Treasury or other competent authority.

I think we would get to as nearly an accurate basis in that way as we now do with regard to imported merchandise which takes the value in the principal market of the country from whence exported, although it may actually originate several hundred miles from that point.

Senator JONES. It would be more or less of an arbitrary transaction, would it not?

Mr. VAN DOREN. Just exactly as the foreign market value is to some extent arbitrary in the manner I have described.

Senator SUTHERLAND. You do not invariably, then, take the foreign invoice price as the basis of value on imported articles?

Mr. VAN DOREN. I believe the foreign invoice price is, as a rule, adjusted to the market value; but an appraising officer can answer that question more accurately, Senator, than I can.

Senator SMOOT. Is there anything else that you desire to say?

Mr. VAN DOREN. Not unless you have some questions to ask.

STATEMENT OF GEORGE F. LAMB, UNITED STATES SPECIAL ATTORNEY, DIVISION OF CUSTOMS, DEPARTMENT OF JUSTICE.

Senator SMOOT. State to the committee what your position is in the Government service.

Mr. LAMB. I am special attorney in the Division of Customs, under the Attorney General's office. Prior to that I was connected with the customs for about 30 years in various capacities.

Senator SMOOT. In what positions?

Mr. LAMB. I was in the Protest Division, Liquidating Division, Entry Division, and I had taken a law course and was put in the Law Division and was assigned to the investigation and preparation of fraud cases. In that capacity I was in Europe on three occasions investigating cases which arose here.

Senator SMOOT. Mr. Lamb, I would like to have you state to the committee just what your conclusions are with relation to the American valuation as provided for in H. R. 7456.

Mr. LAMB. From my experience I am in favor of it. I have jotted down some of the reasons that led me to that conclusion.

One was that it would compel countries in which the cost of labor is low to pay the same amount of duty on importations of similar merchandise that countries having high labor costs would pay. It would also do away with the irritation caused in foreign countries by the investigations made by our special agents. That was exemplified in France in connection with the Limoges investigation, and in Germany—I believe our special agent was ordered out of Germany.

I think it would also do away with closed markets, like Limoges, St. Gall, and Nottingham, where, as a matter of fact, we knew very little of what the costs were and information was refused.

Again, I think it would prevent undervaluations. I came down here last Tuesday and heard Mr. Lockett, from Boston, state to the committee that he had never heard yet of any cases of undervaluation being presented to the Senate Finance Committee.

On the 17th of May I had a case for presentation to the Board of General Appraisers in which Mr. Lockett was the attorney. That case, briefly, was one of a firm up in Boston which had imported sets of aluminum pots from Germany. They had actually paid 300 marks per set, but they invoiced them at 115 marks, an undervaluation of 167 per cent. The importers' agent who made the purchase went on the stand and insisted that 115 marks was the correct price, but the private invoices which showed what had actually been paid were produced and he finally admitted that the consular invoice of 115 marks price was false.

The second case, which I have on my desk at the present time, involves about 40 Italian importers engaged in the importation of sardines from Sicily. The investigation by a special agent over there, which was made in connection with the reappraisement, showed that while this merchandise was invoiced at from 250 to 300 lire, per 100

kilos, the actual price in Palermo, Sicily, was from 500 to 700 lire, an undervaluation of well over 100 per cent.

There was another case in June of an importation of umbrella frames invoiced at 200 marks, appraised by the general appraiser at 315 marks, and the evidence strongly indicated that it was a fraudulent undervaluation.

I might add, in connection with this Boston matter covering the importation of aluminum pots, that when the case was brought to the attention of the Assistant Attorney General he dictated a letter to the collector of customs recommending that further action be taken in the court; that is, with the view of having it brought to the attention of the United States attorney.

Senator LA FOLLETTE. What was that importation?

Mr. LAMB. Aluminum pots.

I had another case of an importation of cigar lighters from Austria. They were entered at 2½ kronen apiece. In examining the witnesses to find out what evidence we could secure, one of the witnesses showed me a letter from the shipper in Vienna to him—that is, the shipper of the merchandise under reappraisement—telling him he was invoicing this merchandise at a price which would save the importer money at the customhouse. The price invoiced was 2½ kronen, but the price which the witness actually paid and which he entered at the customhouse was 5 kronen, an undervaluation on the consular invoice of 100 per cent.

There was a case before the board of some mica diaphragms for phonograph records. This merchandise was invoiced at 2 cents apiece. The board found the proper valuation was 10 cents apiece, an undervaluation of about 400 per cent.

The last case I had was an importation of some silicofluoride of sodium, which was invoiced at about 7½ marks a kilo, whereas the price paid by other importers about the same time was 10½ marks, an undervaluation of about 37 per cent.

These cases have all arisen, or at least have come to my attention, within the two months of May and June. I do not mean that they were imported in that time. They were imported at various times prior to that; but the number of them in that time leads me very strongly to believe that they are not by any means the only cases of that sort which would be brought to our attention if we could get all the facts.

Senator LA FOLLETTE. Are they the only cases that have come under your personal observation?

Mr. LAMB. Oh, no. We had a great many fraud cases when I was in the law division of the customs, Senator.

Senator LA FOLLETTE. How long have you been in your present position?

Mr. LAMB. I have been in my present position since the 1st of March.

Senator LA FOLLETTE. These cases you have enumerated are those that have come under your observation in your present position?

Mr. LAMB. During May and June.

Senator LA FOLLETTE. Were there any before that in March and April?

Mr. LAMB. Every case that comes under my observation, Senator, is an undervaluation case in which the appraiser has advanced the invoice value and the merchant has taken an appeal.

Senator LA FOLLETTE. Those are the cases that you deal with?

Mr. LAMB. Yes, sir.

Senator LA FOLLETTE. So that every case that comes to you is a case in which undervaluation is charged?

Mr. LAMB. Yes, sir; but not always fraudulent undervaluation.

Senator LA FOLLETTE. How wide a territory do your observations cover?

Mr. LAMB. Any importation from any country is apt to come to me. There are nine attorneys in the Customs Division, and these cases are assigned according to the nature of the commodity; so that you might get an importation from China, Japan, India, England, France—any country in the world, in fact.

Senator LA FOLLETTE. And there are nine other men working on that work?

Mr. LAMB. Eight others, not including the Assistant Attorney General.

Senator LA FOLLETTE. Eight others besides yourself working on cases of that class?

Mr. LAMB. Yes, sir.

Senator LA FOLLETTE. And is that just for the port of New York or for all the Atlantic ports?

Mr. LAMB. It takes in all the ports in the United States.

Senator LA FOLLETTE. For your part of that work you have had brought to your attention since last March, when you went in, these cases which you have cited?

Mr. LAMB. Yes, sir; as showing fraudulent undervaluation, as I view it.

Senator McLEAN. Just how are these undervaluations detected, and what are the opportunities for withdrawals without detection?

Mr. LAMB. In a great many instances we receive our information from other importers, men who come in competition with goods that have been brought in at an undervaluation. It is usually brought to the attention of a competitor by his being unable to sell his goods.

Senator McLEAN. If there were a combination among competitors there would be opportunities for withdrawals which would not be brought to your attention?

Mr. LAMB. I do not understand what you mean by "withdrawals," Senator.

Senator McLEAN. From the customhouse.

Mr. LAMB. I see. We have a technical term for withdrawals, meaning goods taken from the bonded warehouse. You mean taken from the custody of the customs officials?

Senator McLEAN. What I mean is entry of goods here that are undervalued. As I understand from you, these undervaluations are brought to your attention by some competitor?

Mr. LAMB. That is one instance. Frequently it is discovered by the special agents abroad.

Senator McLEAN. What instrumentality is the Government using directly to discover these undervaluations?

Mr. LAMB. The first line are the special agents in foreign countries, but that is a very weak line. There are only six of them all over the world. Price lists are supplied by these special agents and by consular officers. When the goods arrive here the examiners who keep in touch with market values and keep in touch with merchandise in similar lines—

Senator CALDER. Is not that the very best method you have of catching undervaluations?

Mr. LAMB. It is the best one of them at the present time, Senator.

Senator CALDER. The most effective?

Mr. LAMB. Yes, sir; as far as we know.

Senator CALDER. When the goods come in the examiner inquires into them and compares their value with the values of other goods imported a little earlier and he gets at once the difference?

Mr. LAMB. That is true.

Senator McLEAN. Under the present system is it easy or difficult to introduce goods upon undervaluation?

Mr. LAMB. It is not easy where there is an open market on the other side and when goods are sold freely to all purchasers, because then you can secure the invoices of other importers, and by comparing them, if importer's value is lower, his invoice values are increased to the values of the other importers. That class of cases is the one which most frequently comes before us.

Senator McLEAN. Just now are not foreign values rather difficult to ascertain?

Mr. LAMB. No more so than they were before, because we rely to a large extent on the same information, the invoices.

Senator McLEAN. That is the point I want to get at. You rely upon the invoices. That is a pretty uncertain reliance, is it not?

Mr. LAMB. If they are endeavoring to undervalue, it is, because they are not going to state facts.

Senator McLEAN. It is easy to put things over if you take the invoice. Consequently, unless some competitor calls an instance of undervaluation to your attention is it not possible that a good many importations may slip through?

Mr. LAMB. It is possible, but with us a staple article, as distinguished from a novelty, the examiner will detect that by making a comparison with similar importations of other importers.

Senator SMOOT. As to the staple article, it will not be hard to find out the American valuation?

Mr. LAMB. I do not think so.

Senator SMOOT. But as to novelties, I understand you to say it is easier for the undervaluations to come in?

Mr. LAMB. Yes; because with a novelty it is sometimes difficult to find similar importations by other importers, so that you can not always check them up by competitors' invoices.

Senator SMOOT. So that where there is no comparable article in the foreign market, you would have greater difficulties in preventing fraud than you would under the American valuation?

Mr. LAMB. Absolutely. Another point is the much greater ease in securing evidence as to the market value under the American valuation plan as compared with our present system. Mr. Lockett, whom I referred to before, stated that in all his practice he never had any trouble in securing evidence as to foreign market value. That is very true, because he is representing the importer, and the importer can always secure any evidence that is necessary to prove his side of the case. But when the Government agent gets on the job he sees the other side of the picture.

I could give you some illustrations of that if you care to listen. I was in Piræus, the seaport of Athens—this is somewhat ancient his-

tory—it was 1908, and it was very important for the case that I ascertain the weights of the merchandise as found by the Greek customhouse, the Greek Government having charged an export duty on its commodities and having weighed the merchandise prior to exportation. The consul general introduced me to a very reputable citizen of Piræus, who took me down and introduced me to the collector of customs. They had a little talk before I was asked to state my business, this merchant acting as interpreter. I told him I wanted to see the customhouse books showing the weights during a certain period. The collector was very willing, but he said the books were out in the district being used. He kept me down there four or five days going back day after day, and finally said the books had been sent up to Athens, and it would not be possible for me to see them. We got the information in another way.

Later on we indicted this same "reputable citizen of Piræus" for frauds in the importation of olive oil, and he came over here and became a Government witness, admitted everything against two conspirators in this country, who were convicted. At that time I asked him if he had not put something over on me at the time he brought me to this Greek collector. He said, "Sure. I told him what you wanted and not to show you the books. I was engaged in this olive-oil fraud, and if I pulled anything down on the other fellows they would turn around and expose me; so I had to stand with them."

Mr. Esterbrook, one of the Treasury agents, was one of the committee who went to St. Gallen in connection with the St. Gallen rate on laces. He told me that he and the other members of his committee were regarded as public enemies, and that even the children on the streets hooted them, and they had great difficulty in getting the information they wanted.

I went to certain Italian banks in Naples and in Palermo on another occasion with the American consul, but the banks flatly refused to give any information about drafts in connection with the shipments under investigation.

Mr. Davis was a member of the committee that went over to Limoges in 1912 in connection with the the Limoges rate list. Mr. Wakefield was the chairman of the committee. Their experience is outlined in the report of that committee. It is a very illuminating document on the question of securing information in a foreign country. They were deceived over there. The manufacturers refused to show books, or only showed such books as would help their own case. Attempts were made to tamper with their mail, and every obstacle was placed in their way.

Senator McLEAN. You are absolutely at their mercy?

Mr. LAMB. So far as securing evidence is concerned, you are.

While I am on this Limoges case, there was a little incident happened that throws some light on the operation of the American-valuation plan. When the report of the Limoges commission of 1912 was adopted as to valuation, the importers here made great objection to it, and a second commission was appointed, consisting of Mr. Higgins, who was the appraiser at the port of New York; Mr. Grant, who was deputy collector of the entry division, and another gentleman, whose name I do not recall, and these importers were requested to come down and present grievances. Well, they did, and finally Mr. Higgins said, "Well, gentlemen, bring your books

down here and let us examine them, and then we will see just how much grievance you have." Not a book was shown, and the opposition subsided right there.

The Limoges case was what we call a "closed market," that is, all the china manufacturers in Limoges were practically declined to sell to any American firms in Limoges.

Senator MCLEAN. You sent over a commission?

Mr. LAMB. Yes, sir; the Treasury Department sent over a commission. There has been trouble about Limoges china values since 1890, and probably before that, but since 1890 it has been acute. In 1908 a commission was sent there, and they arrived at an agreement with the manufacturers in Limoges by which a valuation for Limoges china was arrived at. A certain instrument called the "rate list" was drawn up embodying the agreement. It was discovered later that that rate list was practically a fraud on the American Government, and it was abrogated. Then a second commission was sent over, and that is the Wakefield Commission, of which I spoke a short time ago.

Practically all these manufacturers had an agent in the United States. They would sell to him and only to him. You could go over there and they would allow you to make a selection of what china you wanted from their samples, but it did not do you a bit of good; so far as any advantage in purchasing was concerned you might just as well have gone to the agent on Barclay Street or Warren Street in New York City and have made your selection there, because they would ship the goods you ordered over to him, he would make the entry in the customhouse in his own name, and then he would turn those goods over to you at an immensely increased valuation.

In the case of one firm in which I was particularly interested, as I had their importations under investigation, they used to bring in merchandise, we will say, at 10 francs, and that is what they would pay the duty on. An invoice, apparently made at Limoges, would be sent to the purchaser in the United States, say, a firm in Chicago, Cleveland, or Detroit by the New York agent, but when it reached the domestic purchaser the price was about 20 francs, and then those 20 francs were reduced at the rate of 35 to 39 cents a franc, that presumably being the franc value plus the duty of 60 per cent and shipping charges. That is a little bit complicated, but the idea was that it cost them, roughly, around 35 cents to bring in each franc's worth of goods and pay the duty. But the joker was when they doubled the rate here, they had not paid any duty at all on the amount by which the purchaser's invoice exceeded the consular invoice, but the customer was charged just the same. Most of the dealers I interviewed had the impression that the invoice they received from the New York agent was the foreign value on which duty was paid. In many cases the profit, as shown by the sale to the American purchaser, compared with the invoice price on which duty was paid, exceeded 100 per cent. The duty, of course, was only collected on the invoice value, and we found that large sums were remitted every year to the concerns in Limoges in addition to the sum which was stated on the consular invoice as the actual selling price. In other words, the profits were made over here and no duty was collected on those profits as was contemplated by the law. That is, briefly, the issue in the Limoges cases.

Senator McLEAN. There is a member of that commission—I have forgotten his name—who submitted some extracts from the report, and they are in the hearings.

Mr. LAMB. The attitude of the French Government was against the commission's activities. The American Chamber of Commerce in Paris adopted some resolutions disapproving the efforts of the commission in attempting to ascertain market values.

Senator JONES. Do you want to give us to understand that there was some combination over there to lower those prices and create a market over here for the goods?

Mr. LAMB. There is no question about it, Senator.

Senator JONES. Of course, you have been speaking of isolated cases here.

Mr. LAMB. Yes, sir.

Senator JONES. You do not mean to infer that the general business is involved in any such frauds as you have narrated?

Mr. LAMB. Senator, I think the great majority of our importers are just as honest as any other class of men in the country. As a matter of fact, we depend on them as our witnesses to prove these very undervaluation cases I am speaking about here, and they are in many instances the people who bring us the original information about the frauds and undervaluations.

Senator JONES. If we adopted the American-valuation plan, do you not believe that we will probably find some combinations in this country who will put up the American valuation so as to prevent the importation of competitive articles?

Mr. LAMB. I do not see how they can do it, Senator, because competition is going on at the present time.

Senator JONES. Have we not a great many commodities produced in this country by a comparatively few people?

Mr. LAMB. That I could not say.

Senator McLEAN. That would not affect the situation. It is the foreign competition. It does not make any difference how many men are making it here.

Senator JONES. I think the Senator will understand the point to be this, that if the American valuation is to be the basis of the application of an ad valorem tax that the higher they put the valuation in this country the higher the tax will be, and therefore that higher tax will tend to prevent competition by the foreign article.

Mr. LAMB. Would not that come under the Sherman Act, Senator, as an illegal combination to control prices?

Senator JONES. I know, and do we not have cases under the Sherman Act?

Mr. LAMB. Yes; but the law is in effect to prevent such combinations, and we could invoke it, as in other cases——

Senator JONES (interposing). Have we not a law to prevent undervaluations on importations? You narrated a number of cases where the people violated the law. And have we not a law against murder in this country, and yet murder is being committed?

Mr. LAMB. In the case of the foreign article it is not easy to secure the evidence, whereas if it is here you have control of the evidence.

Senator McCUMBER. Mr. Lamb, how would it be possible for the Americans to make a combination to raise the amount of duty

without raising their own products so much higher than the foreign products, which would immediately allow a greater competition than they have?

Mr. LAMB. It would not be possible, Senator, in my view.

Senator McCUMBER. The only way would be to have a 100 per cent ad valorem duty. If it were anything less than that, of course, if they raised it a dollar they would increase the difference between the foreign article and make it easier for the foreigners to compete?

Mr. LAMB. There is one practice that we allow that will show you how difficult it is to prevent undervaluation under our present system: If the invoice value of an imported article is increased, the importer can secure affidavits from the other side, in which the merchant over there swears that he has sold this merchandise to such and such persons at the invoice price, and they in turn furnish an affidavit that they bought it. Well, one of the most prominent customs attorneys we have in New York City told me that he could undertake to secure any kind of an affidavit at all; that all he has to do is to draft the affidavit and send it over and it comes back executed just as he drafted it.

Senator JONES. But the American importer hesitates to make a false affidavit, does he not?

Mr. LAMB. Naturally; it involves the commission of a crime, and he is amenable to our jurisdiction.

Senator LA FOLLETTE. You referred to this Limoges case as "closed market." How many instances of closed markets have come under your observation?

Mr. LAMB. The Nottingham lace case, the Calcutta case, the St. Gall lace cases, and Limoges are about all that I recall.

Senator LA FOLLETTE. About four cases of closed markets?

Mr. LAMB. Yes, sir. The American valuation would prevent any others from being formed, Senator.

One of the attorneys for the Alien Property Custodian told me that when they took over some of the German chemical houses in the United States they found that enormous sums of money had been remitted to Germany out of the sales here, which seemed to indicate that duties were not paid on the actual market value of the merchandise. That gives another instance of a closed market—the German exporters would ship to their own agents here at a low value and they would sell for whatever price they could get.

Senator CALDER. Mr. Lamb, I was outside for a moment. Were you asked how many cases are reported to your office each year for undervaluation?

Mr. LAMB. None were reported to the Attorney General, Senator; but the customs used to keep a record of such cases. I do not believe that record is being kept now. Mr. Davis could answer that accurately.

Senator CALDER. I was just wondering if there were a great many instances.

Mr. LAMB. That I could not say, Senator. I know that Mr. Loeb, when he was collector of the port of New York, kept such a record, and the last time I saw it it amounted to \$4,000,000 or \$5,000,000, something like that, but that amount included the American sugar-refining frauds settlement.

Under the American-valuation plan, merchandise would divide itself into practically two major classes—those having comparable American articles and those which have no comparable American articles. As to the first class, of course, the plan would be to secure the American selling price for comparable articles, and that would be the basis of valuation for the imported article. In the second class, where there is no comparable article, the plan would be to assess duty on the American selling price of the foreign article.

There is a third class; that is, where merchandise comes in here for further manufacture, and which is not sold of itself. Such importations apparently present a difficulty, but I think that could be met by building up an American selling price in the same way as we now build up a foreign market value under section L.

In the present tariff, under section L, we have a method of ascertaining and assessing duty on the American market value, if an article is not sold freely on the other side or if it is sold only for exportation to the United States; the law provides that the American selling price shall be taken, and from that the duty deducted, also certain other expenses. If the goods are consigned goods, a commission of 6 per cent is deducted; if they are purchased goods, a profit 0-8 per cent and an overhead of 8 per cent is deducted, and then the duty is assessed on the valuation so ascertained. It seems to me that by reversing that process you could build up an American valuation of articles which have no comparable American article and which are not sold of themselves in the American market, and I think those would include practically everything coming into the country, as near as I can see.

Senator SMOOT. That would take in the great bulk of staples and the other novelties not manufactured here?

Mr. LAMB. Yes, sir. I have spoken to a number of importers about this, and they do not seem to mind the possible increase of duty so much as the uncertainty. They say that is what bothers them. They would not know at what price to sell their merchandise. It was suggested that that could be obviated by having some board or the Secretary of the Treasury or somebody designated by the President make an investigation and proclaim market values for a definite period; that at least would do away with the uncertainty.

There was some mention made as to the cost of installing the American-valuation plan. I believe that if the plan were installed the increase in the amount of duties collected by cutting off undervaluation would far more than pay for the cost, even at the peak of the cost, which would be at its initiation. I think once it is established the cost of maintaining it would certainly decrease. It seems to me, Senator, that if we had no tariff law at the present time, and Congress in passing one was considering whether to adopt American valuation or foreign valuation as the basis for the collection of duties, there would be no question at all about deciding to adopt the American valuation; and after it had been in effect as long as the present plan has been and somebody would come along and suggest the present plan of securing the value of merchandise in foreign markets, I think it would be claimed they were insane, and that it would take an army of men to gather the necessary information.

As to the litigation that was said to arise in connection with this, there is no doubt there will be considerable litigation, but we have that after every tariff. Protests have run for one year up to 120,000

protests. Of course, there was a special question involved there. In other years it ran 60,000, 40,000, and 50,000—last year it dropped down to about 4,000; reappraisement cases run from 4,000 to 6,000 a year. The customs courts and the boards of general appraisers are in the best possible condition to handle litigation, because by reason of the war limiting importations and the length of time this present tariff has been in operation practically all the points involved have been litigated.

There would have to be an increase in the force of the Customs Division of the Attorney General's office, but that would not amount to much comparatively. The entire cost of maintaining that division, taking in all the cases throughout the United States, and including the traveling expenses of the attorneys was less than \$65,000 last year.

Senator SMOOT. If the committee should decide to adopt the American valuation, the Treasury Department could immediately detail men there for the purpose of collecting at once the American valuation on nearly all of the staple articles and could do it within a reasonable time, could they not?

Mr. LAMB. I am not qualified to speak on that, Senator, but Mr. Davis, whom I consider one of the best posted men in the service on that question, said if you would give him 25 men for three months he could gather it.

Senator SMOOT. If you would give him 50 good men, then, he could do it in that time and a great deal less?

Mr. LAMB. I should imagine that the easiest way to secure that information would be to have the American manufacturers associations furnish it—practically every line of trade is organized and every manufacturer belongs to an association. They have costs and selling prices down to the smallest things they sell. I should imagine if they are really interested in the American valuation plan they would cooperate and give all those prices so that you would have an immense mass of prices practically handed over to you.

Senator JONES. Are they not interested in making their price as high as possible?

Mr. LAMB. I think they would be, Senator, but I think that could be checked.

Senator SMOOT. They are not interested in that any more than the foreigner is working to make the cost just as low as he possibly can do.

Senator CALDER. The information the American manufacturer gives to you is accurate, is it not?

Mr. LAMB. Under the present system, Senator, we have no necessity for appealing to them. The witnesses we call on are importers of similar merchandise, who tell us what they paid for the merchandise during the period involved in the case under appraisement, and we never have occasion to go to an American manufacturer to find out prices. His testimony would not be relevant.

Senator CALDER. It would simply mean accepting the information from the American manufacturer instead of the foreigner?

Mr. LAMB. You mean if the new plan were adopted?

Senator CALDER. Yes.

Mr. LAMB. Then, of course, we could go right to him and get it.

Senator SMOOT. And we could get it under sworn statements?

Mr. LAMB. Absolutely.

Senator CALDER. It ought to be under a sworn statement.

Mr. LAMB. The Board of General Appraisers has all the power of the circuit court of the United States to compel attendance of witnesses, the production of books and papers, etc., and, of course, they are all sworn where they give any testimony.

Senator CALDER. You would require them in filing a statement to do it under oath?

Mr. LAMB. I think that would be a necessary precaution.

Senator CALDER. The importer would be required to state what he believed the American valuation was, would he not?

Mr. LAMB. To my mind that would be very easily arranged by having him state on his invoice what his American selling price is.

Senator SMOOT. He would know what he was going to sell it for and you could make him swear to it?

Mr. LAMB. Yes, sir. So if you could not find any comparable American article you could assess the value on the duty as shown by the importer's sworn statement.

I want to say this for our examiners in the customs service at New York City. I have been brought into contact with all of them since I have been in the service, and I have never found a more hard working nor a more conscientious body of Government employees. They really do their best to keep right on their toes in regard to foreign valuation. Of course, in the last analysis they have to rely on statements made to them by importers and people in the same line of business.

They do the best they can under the system, but one criticism is that it breaks down where fraudulent undervaluation is involved. Where a merchant is bringing in his invoices with correct foreign market valuations it does not make any odds whether you have an examiner or not except for classification purposes.

Senator JONES. Do you think those examiners who are Democrats are interested in getting as low a duty on the imported commodities as they can and are influenced by that fact?

Mr. LAMB. Senator, I am not a Democrat, but I think that is, to be very frank, sheer nonsense. I do not think a man up there cares two straws what the views of the administration is; I think he carries out his duties just as the law requires.

Senator JONES. I am of the same opinion, but it has been intimated otherwise, and I thought I would like to get an expression from you.

Mr. LAMB. I have had them under close observation since I have been there. We have to examine them before trial to see what their testimony will be, and I have never yet seen a case which indicated there was such a situation.

Senator CALDER. The examiners in the service at New York are men of both parties?

Mr. LAMB. As far as I know; yes.

Senator CALDER. And there is no difference in the way they do their work?

Mr. LAMB. You might be interested in knowing how the average examiner is appointed: For instance, most of the men who are examiners entered the service as clerks, as the result of a civil-service examination. As a rule they are assigned to an examiner to write out his report and do the clerical work in connection with his examination. They acquire a certain knowledge of the business by reason of their daily work, and as soon as there is an examination for the position of examiner these men go in and take the examination. They are far

more familiar with the merchandise than anybody who is not really in the importing business, and you can not get a man in the business to come into the Government service at the salaries paid. The result is that practically all these positions are filled by the men who have come into the service as clerks and worked their way up.

I think it is extremely remote that they are actuated or motivated by political purposes in making their examinations.

Senator SMOOT. Do you think a clerk who believed in free trade would not unconsciously value those goods just as low as possible?

Mr. LAMB. I do not think so, Senator. In the first place, I think it would be detected before very long.

Senator SMOOT. I do not mean to say that he would do so willfully, but it seems to me that unconsciously his training, his very belief, would lead him, if he erred at all, to do so on the side of putting goods just as low as possible.

Mr. LAMB. The trouble is he would be apt to be removed later, because if he passes the goods at less than the market value a competitor is apt to come in at any time and want to know how that is done; then there is an investigation.

Senator SMOOT. He is not removed always?

Mr. LAMB. I think where any gross negligence or anything of that sort occurs—

Senator SMOOT (interposing). It would be gross negligence. He might err 1 or 2 or 3 per cent, and 3 per cent amounts to a great deal in a year's business.

Mr. LAMB. You see, Senator, he can not reduce the entered value; he can not go lower than that invoice or entered value; the law provides for that. The only thing he can do is to pass it as entered or increase it. If he knows that it should be increased and does not increase it, that immediately becomes fraudulent.

Senator SMOOT. But, unconsciously, he would likely say, "That is enough for that fellow to pay."

Senator McLEAN. You are speaking of examiners?

Mr. LAMB. Yes, sir.

Senator McLEAN. When the appraiser comes along he can accept the invoice value, and that ends it.

Mr. LAMB. The appraisers have all been political appointments, not the examiners.

Senator SMOOT. That is what I have been speaking of, and that is what I characterized.

Mr. LAMB. The examiner is the man who examines merchandise and compares it with the invoice, and he is the man who has expert knowledge as to the values. He passes on it and forwards his finding as a matter of routine to the assistant appraiser, and he passes on the examination. It is very, very rarely that the assistant appraiser will change or correct the return of an examiner in any way.

Senator SMOOT. Then there is no need of him and you better get rid of him.

STATEMENT OF CHARLES D. LAWRENCE, UNITED STATES SPECIAL ATTORNEY, DIVISION OF CUSTOMS, DEPARTMENT OF JUSTICE.

Mr. LAWRENCE. My name is Charles D. Lawrence; United States special attorney, Division of Customs, Department of Justice, 641 Washington Street, New York City.

Senator SMOOT. If you will kindly proceed, Mr. Lawrence, to inform the committee as to what your experience has been in relation

to the undervaluation, and also what your ideas are as to the advisability of adopting the American-valuation plan of procedure.

Mr. LAWRENCE. Mr. Chairman and members of the committee, first I might say that I have been in the Division of Customs of the Department of Justice since its creation in 1910. Prior to that time the work of our office was conducted as a branch of the Treasury Department. In that department I was associated some six years, and was adopted by the Customs Division of the Department of Justice at the time of its organization.

In presenting my personal views on this subject, I shall briefly state what I conceive to be some of the fundamental advantages of the American-valuation system over the one which is now in operation.

Parenthetically, I may say that the first thought which comes to my mind is that in reading the bill now before you one's attention is at once arrested by the statement that it is a bill, or, rather an act, to produce revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes.

With that as the declared policy of the Congress, naturally the first question to arise is what means are the most efficient, expedient, and feasible for accomplishing its purpose. You have before you two proposed plans for valuation for dutiable purposes, foreign valuation and American valuation. With the first you are intimately acquainted because of the fact that it has been in operation for many years, and you are now to determine whether, in view of all the circumstances and conditions which are disturbing the trade and commerce of the world, that method is still an adequate and satisfactory one.

When you have determined the system of valuation or method of valuation, which I deem to be the basic consideration, the matter of rate fixing then becomes one largely of detail. The inherent weaknesses and difficulties arising out of the administration of the foreign-valuation system have been pictured to you and the question is whether that system is still adequate, and the American-valuation plan has been proposed as possessing greater merit and superior advantages. The objections to it seem to be, as I view it, largely the outgrowth of speculation and fear, a natural hysteria that always accompanies any new legislation of any importance.

I think, however, that analysis of the proposed American-valuation plan will demonstrate its superiority as a measure to obtain the proper valuations for duty purposes.

One of the most prominent factors disturbing international trade to-day seems to be the fluctuation in foreign exchange. Mr. Chairman Page, of the United States Tariff Commission, testifying before this committee on the 25th day of July, said that the great argument in its favor—referring to the American-valuation system—

is found in the fact that foreign exchanges are very variable as between this country and other countries, and they fluctuate with great violence; the exchange between England and America is one thing, the exchange between America and Germany is another thing. The same article coming to this country from England, therefore, would pay on a foreign value a much higher duty than the same article if it came to this country from Germany.

And, further, Chairman Page said:

That is the great argument in favor of American valuation—that is, that it will remedy to some extent, at any rate, this difficulty in foreign exchanges.

An argument which appeals to me as of commanding importance is that an impartial administration of a tariff law which affects all countries exporting to the United States goods of a similar nature produced at varying costs requires that the basis for duty shall be the value at which such goods are sold in the usual wholesale quantities in a country common to them all, in this case the United States.

Bearing in mind, if you please, the legislative intent of this act to provide revenue and to encourage the industries of the United States, why should you not in addition to fixing your rates in the United States fix the dutiable value in the United States upon the basis of prices prevailing in the United States? Instead of seeking out the markets of the world, of which there are scores, in order to find values, as we are doing to-day, why would it not be a much simpler, more efficient, scientific and accurate method to find the value of all imported commodities where such values may be found at first hand, and if the information or the evidence can not be obtained by voluntary contribution its production can be secured by judicial process, as those in possession of it are amenable to our laws?

Under the system in vogue to-day, however, we are compelled to scour the four corners of the globe—if a globe may be said to have corners—for evidence of values, and if our foreign friends decline to give us the information we need, we have no recourse.

My colleague, Mr. Lamb, has explained to you the difficulties which result from the fact that foreigners at times will refuse to disclose information. It might be suggested that we could compel the production of evidence by laying, in effect, an embargo if they declined to give the information. But that would result, I fear, in irritation and diplomatic embarrassments which I think ought to be avoided if possible.

So that the matter of securing evidence from abroad does not appeal to me as a satisfactory one. As a matter of fact, we are frequently confronted with a difficulty, after we secure evidence through the medium of our special agents, in that the evidence fails of its purpose because the courts will decline to receive it on the ground that it is hearsay; the one who procures it is not before the court for cross-examination. But it is obvious, of course, to you gentlemen how much better and with what greater assurance we can proceed to procure evidence from men who are subject to our compulsory processes.

There are other advantages which I might enumerate, namely, that the American-valuation plan would increase the revenue in certain cases in that, whereas the cost of similar products might be subject to considerable variation, they would always be valued alike for duty purposes. It would in effect be placing merchandise upon a specific-duty basis.

Senator JONES. Well, do you mean by that statement that this basis would not be changed from day to day and from week to week so as to comply with the terms of the law as it is written, that the American valuation as of a certain date shall be the basis?

Mr. LAWRENCE. Precisely. The price prevailing in this country would be the basis for appraising merchandise on the day of shipment.

Senator JONES. That would vary from day to day, would it not, and from week to week?

Mr. LAWRENCE. It might.

Senator JONES. Do you not think it would?

Mr. LAWRENCE. Not necessarily.

Senator JONES. Does it not do so now? Are not those prices varying from day to day now?

Mr. LAWRENCE. I would not say they were varying from day to day; I will say they are subject to variation from day to day.

Senator JONES. Do you know anything about prices in this country?

Mr. LAWRENCE. I do not believe I do, Senator.

Senator JONES. From your remarks, I agree with you.

Mr. LAWRENCE. Prices are varying everywhere, I suppose, but not necessarily from day to day. I say they are subject to variation.

Senator McLEAN. Suppose they vary from day to day—what then?

Mr. LAWRENCE. Then the dutiable value would vary accordingly.

Senator McLEAN. Of course.

Senator SMOOT. Sometimes it varies in a foreign country?

Mr. LAWRENCE. Certainly.

Senator McLEAN. It seems to me that is fair.

Mr. LAWRENCE. I was about to say it would give us increased protection in that opportunities for evasion would be greatly reduced, and it would discourage, if not entirely eliminate, fraudulent undervaluation. Furthermore, it would have a tendency to break up efforts of foreign trade combinations and afford us better protection against low-cost nations.

I have no doubt that litigation would be temporarily stimulated, but I think that would be true under any tariff act that you might enact. I can not conceive of any law being enacted—and I mean no criticism of your legislative acumen and sagacity when I say this—that would be so nearly perfect that astute counsel would not find some points of attack, because they are always ready to seize upon and challenge the construction placed upon the law by those having to do with its administration.

One more point and I am through. You might think at first blush, after listening to the discussions which have taken place here, that the question of American valuation is something entirely new. But, in a limited sense, it is not new. Omitting, if you please, any consideration of American valuation in the formative days of our Government and coming down to a less remote period, you will find that in the Dingley Act of 1897 it was made "lawful" for appraising officers to "take into consideration" American wholesale selling prices. In the Payne-Aldrich bill of 1909 that rule was extended and made an alternative method of finding value. Of course, I do not mean to say to you that it was the same system that we are advocating to-day, but the system of American valuation, in its modified form, was before us and was used as a method of figuring back to the foreign value.

Now, if I remember correctly, when that measure was before Congress in 1909 it was bitterly assailed by the importing fraternity as a very obnoxious law and it was heralded by the press as one of the greatest tariff jokers ever perpetrated, and by other opprobrious terms; yet we find it in the Underwood bill of 1913, and it was re-enacted into law without protest. So that with these limitations the system of American valuation has been under consideration and in use, to some degree at least, for 24 years.

I do not mean to assert that this system would be entirely free from imperfections, but all things considered, weighing its advantages against its disadvantages and measuring it by the foreign-valuation system, I have no doubt that it will prove an expedient and workable process of valuation, and if adopted, I have every confidence in the ability, intelligence, and wisdom of Congress to compose rules of action which will be appropriate to its efficient and successful operation.

Senator McLEAN. One of the principal objections by importers is that they will not know what their cost price is going to be three months ahead of time. What have you to say about that?

Mr. LAWRENCE. Senator McLean, it seems to me that a business man would not place orders for merchandise very far ahead without some approximate knowledge of what it would be worth in this market when the goods arrive. It seems to me it is his business to know and to find out before he places his orders.

Senator McLEAN. After the thing had been running a little while, would it not be inevitable that the prices would become fixed in this country?

Mr. LAWRENCE. I think so.

Senator McLEAN. Don't you suppose there would be difficulty in knowing what the rate was going to be? It certainly could be ascertained as accurately as it is now with regard to foreign value.

Mr. LAWRENCE. I think so, Senator McLean.

Senator McLEAN. Well, I want your opinion on that, because that is one of the objections raised by the importers.

Mr. LAWRENCE. That is my opinion, Senator.

Senator CALDER. That is true of stable articles, but how about the novelties? The buyers go to Europe in the spring or the winter to buy for the later season. They look around and see what things are good for the market and then they purchase. These goods are usually manufactured from samples and they make deliveries six months afterwards. Is it not going to be difficult for the foreign buyer to have any knowledge of what the market price will be?

Mr. LAWRENCE. I think there will be uncertainties and inequalities in this law just as there have been in other laws, but my point is that the advantages of this proposed method of valuation will outweigh its disadvantages, considered not only by itself but measured by the foreign-valuation system.

Senator SMOOT. There is another thing, Senator McLean. When a purchaser goes to Europe to buy goods he sees samples that are offered him there. He passes judgment on them as to whether those goods can be sold in this country in competition with other goods made in this country. If his judgment tells him that they can not be, then he will not buy them. He will only buy them in case he feels that they can be sold in this country at a profit.

Senator JONES. The answer to that seems to be this. Every man wants to know what he has to pay for merchandise and what its cost is going to be. Under the present system he can know absolutely when he is buying.

Senator CALDER. I do not think he can, because the valuation of the imports is based on the date the goods leave the other side. It may be six months afterwards.

Senator JONES. He will know what the goods are going to cost within a small margin, but under this system he can not know what

the goods are going to cost him in the United States, and he might be willing to take the risk, knowing what he has to put into his investment, whereas he would not be willing to take the risk if he did not know what the cost of the goods was going to be.

Senator SMOOT. You do not mean to say that the goods will increase in this market more than in a foreign market during the same length of time?

Senator JONES. I do not know about that.

Senator SMOOT. Well, that is the point.

Senator JONES. But when he buys his goods he can know, within reasonable limitations, the amount of tax that is to be put on under the present system, but under this other system he can not possibly know that.

Senator SMOOT. He absolutely knows, because of the fact that he knows what he purchases for and what he is going to sell for.

Senator JONES. There are two elements to consider—the element of variation of values in the American market and the element of variation of value in the foreign market.

Senator McLEAN. And besides that there is also the element of exchange. If it is a rising market, he may find himself in difficulties.

Senator JONES. Those he would have under either system.

Senator McLEAN. Oh, no; not under the American valuation.

Senator SMOOT. Our exchange does not change. Our dollar is worth 100 cents.

Senator McLEAN. But if he has to pay for goods in francs now, or six months from now, he has got to know what they are going to cost him:

Senator JONES. That will be the case either way.

Senator McLEAN. But it would not affect the duty.

Senator JONES. Oh, no; that part will not.

SUPPLEMENTAL STATEMENT OF THOMAS J. DOHERTY, REPRESENTING THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS.

All through the somewhat voluminous arguments and statements of the various interests who are urging the substitution of a scheme of domestic valuation of imports in place of the present system there has been a persistent and studied attempt to induce Congress and the public generally to believe that this scheme is put forward only to meet an emergency due to the fluctuations in foreign exchange. The allegation has also been made that the scheme is necessary to counteract attempts of importers to undervalue their goods.

This is distinctly an attempt to mislead Congress and the people. This new valuation scheme is not an emergency measure devised in good faith to meet present day contingencies. Its adoption by the House of Representatives in the pending bill is the fruition of a long continued and pertinacious campaign. As long ago as 1908, to the writer's knowledge, this scheme was proposed to the Ways and Means Committee when it began to consider the revision of the tariff in that year, and it was again presented to the Ways and Means Committee and to the Senate Finance Committee during the revision of 1913, and it was urged upon the Tariff Commission in 1917. At none of those times was there any depreciation of foreign currency and at none of those times was there any real foundation for the allegations of undervaluation. This American valuation scheme is not at all the result of an attempt to meet exchange conditions, and it is not too much to suggest that its presence in the bill as it passed the House is due rather to the persistent propaganda in its favor than to fluctuations in exchange.

It would seem that under the circumstances the proponents of this legislation would have evolved a plan of valuation which would be practical and practicable and would meet the well-known conditions of business. It has already been fully demonstrated that the plan as it appears in section 402 of H. R. 7456 is neither practical nor

practicable, and it fails wholly to provide for the transactions of international commerce. It is not necessary again to advert to the ambiguous and varied meanings of the terms it uses. Dr. Thomas Walker Page, president of the Tariff Commission, said frankly in his statement before the Finance Committee on July 25, 1921, that his perusal of the pending bill did not enable him to say how the appraisers are going to ascertain the American value. It is significant that no one who has yet appeared before the committee has been able to indicate a practicable plan for so doing. And this extreme uncertainty as to how this plan will work is its outstanding vice. Dr. Page said further in his statement to the committee: "The importer will be obliged to take his chance as to what American product the importer's goods will be comparable with." And further: "Different appraisers might then choose different commodities as comparable." Another objection to the bill as it stands is that it completely revolutionizes the whole system of appraising merchandise for duty without even the groundwork of facts and figures which were always considered necessary in normal times to guide Congress in revising the tariff law.

Proof of this is found in utterances of Members in both Houses. Notable among these is the following statement of Congressman Nicholas Longworth, member of the Ways and Means Committee, in a signed article in the New York Times of April 10, 1921, which was two months after the close of the hearings before that committee and after he had had a chance to peruse and digest them fully. He said:

"The situation which faces the Republican members of the Ways and Means Committee to-day is infinitely complicated. In the first place, the times are entirely abnormal. Costs of production, not only abroad but at home, are extremely high, and in many cases, impossible of accurate ascertainment. When producers themselves, as is very frequently the case, can not tell us what their competitors' costs are or even their own, it is asking a good deal of us to prepare tariff schedules which shall be scientifically accurate."

Again in the report of the hearing before the Finance Committee on July 25, 1921, we find the following colloquy:

"Commissioner PAGE. Do you regard the information used by the Committee on Ways and Means as not being satisfactory for fixing rates?"

"Senator McCUMBER. I have looked in vain so far to find a foundation on which to work on the American valuation."

A careful comparison of the rates of duty as fixed in the new bill based upon the value of the articles in domestic markets with the rates carried by the present law and with those of the Payne-Aldrich Act of 1909 justifies the statement that this new scheme has for its purpose the unwarrantable and inordinate raising of duties on foreign imports without seeming to do so. This impression is confirmed by an examination of the extravagant statements made by various domestic manufacturers who have appeared before the Finance Committee during the hearings on this subject. The conclusion is unavoidable that the one desire of these manufacturers is to bring back the conditions obtaining during the war when they had no foreign competition whatever and when they could ask any price they pleased for their products and sell them on any terms they pleased. There is no dealer or merchant but what has a vivid recollection of the "sellers' market" and what it meant to them.

The actual effects of the new duties in the way of establishing selling prices of commodities greatly higher than have been hitherto known consequent upon the relatively enormous rise in the amount of duty imposed and to be collected, is shown by the tabulated statement introduced at the hearing of August 2, 1921, but printed in the pamphlet containing the hearing of August 4, 1921.¹ The figures given in this statement are mathematically correct and the selling price as there given has been tested by comparison between the c. i. f. costs at the port before duties are paid with the selling price at which the importer must sell after computing thereon the duties imposed by the Fordney bill.

There is another point of uncertainty in connection with this valuation measure which has not been successfully met but on the contrary has been evaded. This reference is to the phrase in section 402 "in the principal market or markets of the United States." There may be several or many principal markets for different commodities in the United States, the value differing in each market. This must be so in view of the great geographical extent of the United States, and yet no way has been pointed out how this difficulty is to be met. It is plain that there can not be more than one market value. It is intolerable that identical goods exported on the same day but arriving at different ports in the United States shall be appraised at different values and consequently pay different duties on entering the United States. The United States Supreme Court in *Passavant v. United States* (169 U. S., 16) took occasion to remark that the tariff act does not contemplate two prices or two market

¹ See pp. 291-299, this volume.

values. As to this, a quotation from an opinion rendered by Daniel Webster when Secretary of State is directly pertinent and is of singular interest at this time. For the quotation we are indebted to a letter of Everett P. Wheeler, printed in the New York Times of August 5, 1921:

"In support of this opinion, the undersigned suggests, in the first place, the great, if not the insurmountable, difficulties of establishing a home valuation at any port, without running the risk of producing such diversity in the estimates of value, as shall not only lead to great practical inconvenience, but interfere, also, in effect, with the constitutional provisions, that duties and imposts shall be equal in all States."

May we also submit as a part of this memorandum the following editorial article from the New York Evening Post of August 2, 1921:

"THE AMERICAN VALUATION PLAN.

"Expert study of the American valuation provision of the Fordney tariff bill more than confirms the first doubts of its advisability. Those doubts centered around three points: (1) The extremely high rates which would result in many cases from taking the American price instead of the foreign price as the basis of calculation, (2) the difficulty of applying the scheme, (3) the consequent uncertainty as to what the duties actually assessed would be. While any one of these three objections is fatal, it is the third objection which most troubles the importer. The best tariff bill is bad if it introduces any considerable amount of uncertainty into business. Now, it would not be easy to devise an arrangement which would create so much uncertainty as this American valuation plan. Fifteen per cent on the American valuation of an article may mean 30 per cent or 60 per cent on the cost of the article abroad. The importer has no way of knowing how much it will mean. The American valuation plan might properly be described as a plan to make importing not a business, but a gamble.

"The worst objection to the plan, however, is its unworkability. It puts an impossible task upon the customs officials. What is the American valuation of an article? Is it the price at which it sells in New York or Pittsburgh or San Diego? In practice the officials would be driven to that despair of the importer—an arbitrary figure. Then would come appeals to the courts and the long process of judicial adjustment. The more the appraisers have looked into the applicability of the plan the more they have felt like throwing up their hands. And they are not a set of persons who are unaccustomed to intricate problems. The best evidence of the soundness of their feeling against the plan is the fact that the Senate Finance Committee, in its hearings on the bill, was obviously impressed with the reasoning of an official of the New York customhouse. Investigation since those hearings has only made the fundamental defect of the plan clearer. It should be stricken from the bill."

In conclusion we beg to point out the utter fallacy of the statement so frequently made by the backers of this scheme that it will cure the difficulties ascribed by them to the depreciation of foreign currencies, and that it will likewise remedy the inequality that now exists at the port of entry between goods from low-cost countries and goods from high-cost countries.

The first of these propositions is based on the grotesque idea that merchandise from foreign countries whose currencies are seriously depreciated is coming to this country and is being appraised and passed by our appraisers at the same number of units of the depreciated currency as the goods were formerly invoiced at when said currency was of full value. The action of these people in repeating this statement after its error has been repeatedly and conclusively demonstrated before this committee fairly indicates that the truth has no appeal for them. For the facts in connection with this question the reader is referred to the hearing of April 22, 1921, before the Senate Finance Committee, when it was considering the so-called emergency tariff bill.

In respect to the second proposition, namely, that by appraising goods upon the basis of their selling price in this country the disadvantage which a high-cost country suffers now as compared with a low-cost country will be abolished, it is sufficient to say that putting an additional burden upon the goods from these respective countries does not have the effect of equalizing the landed cost of such goods. There is no question but that this bill as it stands heavily increases the import duties, and it is not clear how putting an additional burden upon high-cost Canadian goods, for example, and upon low-cost Japanese goods, for example, is any benefit to the Canadian goods. All that this new system does is to insure they all pay the same amount of duties, but it is plain that the same amount of duties added to the varying production costs of different countries does not alter their relative position toward one another. Furthermore, it is very poor economy to put a heavy additional burden upon the American consumer in the belief that some one foreign country will be benefited at the expense of another. No reasonable American importer or consumer objects to a rate of duty that will insure proper protection for domestic manufacturers, but it is

asking a little too much for them to submit to further exactions so as to protect one foreign country against another.

Upon the whole case we urge that in view of the fact that all market prices and values are in a state of flux, which is necessarily temporary in character, the present is a wholly inopportune time to undertake a revision of the tariff, which involves a complete change in the system of appraising merchandise; which will put the most skillful and most experienced of our customs appraisers under the necessity of learning their business all over again, and which finally will render obsolete and useless the accumulated knowledge of values and rules of appraisement that have stood the test for 100 years.

Importers do not object to any rates of duty that the wisdom of Congress may deem it necessary to impose on foreign merchandise. All they ask is that the duties be imposed in such a way that merchants will know what they are going to be. The bill as submitted now makes it impossible for merchants to know what their foreign goods will cost them landed, and this uncertainty will prove fatal to business. It is not too much to say that if the Senate should accept this American valuation provision as it stands the business of importing in so far as it is affected by this measure will come to a complete standstill. This is not the time to inject additional confusion and uncertainty into the business world. There is enough, and to spare, now.

LETTER OF THE CANADIAN COMMISSIONER OF CUSTOMS AND EXCISE IN ANSWER TO STATEMENTS OF THOMAS J. DOHERTY.¹

OTTAWA, CANADA, September 10, 1921.

Hon. BOIES PENROSE,

Chairman United States Senate Committee on Finance, Washington, D. C.

DEAR SIR: My attention has been called to statements made by Mr. Thomas J. Doherty, New York City, before your committee on August 2 last,² in which he makes references quoted hereunder to an interview he had with me some time ago respecting importations of goods into Canada by his principals, Messrs. George Borgfeldt & Co.

Mr. Doherty states that the recent amendment to the customs act respecting value for duty of goods imported from countries where the currency is depreciated was determined upon "against the advice of the minister of customs and the commissioner of customs, who warned him (the minister of finance) that the legislation was not advisable, but that he chose to ignore their views, and the result is they are not getting the goods they want." He further states that "instead of getting a large revenue from those goods they are getting none at all."

These statements are absolutely false and untrue, and were not made by the commissioner of customs to Mr. Doherty, as stated.

I may add that the bill to amend the customs act in the particular referred to was introduced in Parliament by the minister of customs and not by the minister of finance, and that I, as commissioner of customs, did not speak or write to any minister or official of the Canadian Government concerning the matter.

I am making a statutory declaration as to the truth of the statements herein contained, and would request that these documents be placed on the record of your committee in rebuttal of the statements made by Thomas J. Doherty.

Yours, faithfully,

R. R. FARROW,
Commissioner of Customs and Excise.

[Inclosure.]

COUNTY OF CARLETON,

Province of Ontario:

I, Robinson Russell Farrow, of the city of Ottawa, in the county of Carleton, in the Province of Ontario, commissioner of customs and excise, do solemnly declare that the statements made by Thomas J. Doherty, as contained in the printed record of the United States Senate Committee on Finance and referred to in my letter of this date to the chairman of that committee, are absolutely false and untrue.

And I make this solemn declaration, conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath, and by virtue of the Canada evidence act.

R. R. FARROW.

Declared before me at Ottawa, in the county of Carleton, in the Province of Ontario, this 10th day of September, A. D. 1921.

CHAS. O. BLAIR,
Assistant Commissioner, Etc.

¹ For further reference to this matter see statement of Thomas J. Doherty in Appendix (last volume).

² See pp. 283-284.

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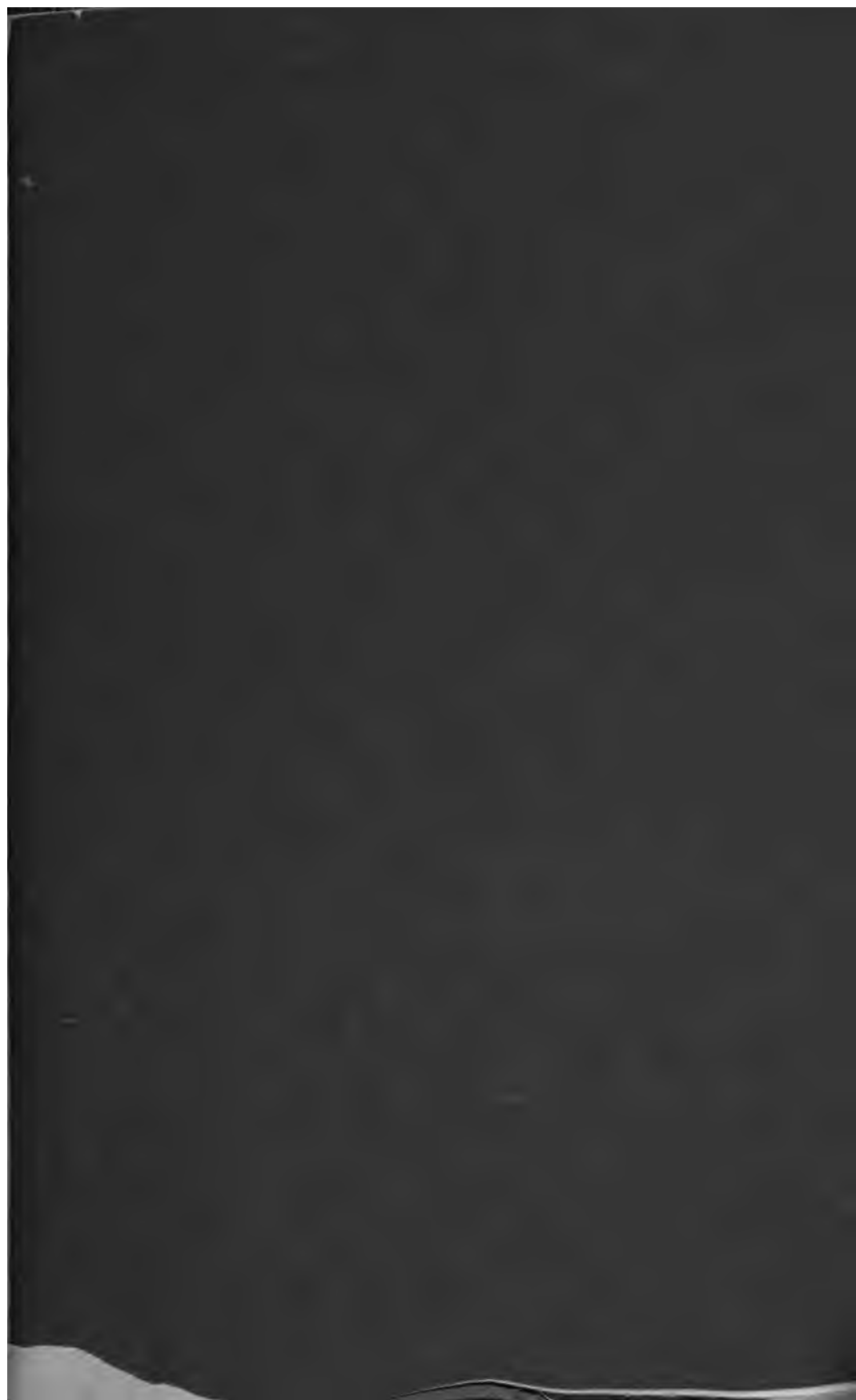
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